Austria Sch 18	Indonesia Rp 2500	Portugal Esc 75
Bahrain Din 0.650	Italy L 1,100	S. Arabia Rls 6.00
Belgium BFr 38	Japan Y550	Singapore S$ 4.10
Canada C$1.00	Jordan Fils 500	Spain Pta 100
Cyprus Mils 600	Kuwait Fils 500	Sri Lanka Rup 30
Denmark DKr 7.25	Lebanon L 6.00	Sweden SKr 6.50
Egypt	Luxembourg LFr 38	Switzerland SFr 2.00
Finland Fmk 5.50	Malaysia Rm 4.25	Taiwan NT$ 55
France Fr 6.00	Mexico Peso 300	Tunisia Din 0.600
Germany DM 2.20	Morocco Dh 6.00	Turkey L 160
Greece Dr 60	Netherlands Fl 2.50	U.A.E. Dh 6.50
Hong Kong HK$ 12	Norway Nkr 6.00	U.S.A. $1.50
India Rup 15	Philippines Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,365 Monday July 9 1984 D 8523 B

Hawke squares up to a party conference, Page 18

NEWS SUMMARY

GENERAL

Beirut unity move delayed

Protests by families of kidnap victims seized during Beirut's sectarian violence prevented the planned reopening of crossings on the "Green Line" dividing the city.

Demonstrators, demanding the return of hostages still held by rival militias, set up barricades and burned tyres at the three crossings. That halted the plan to reunify the city for the first time since February.

Beirut airport, also closed since then, was due to reopen this morning but that might also be set back. Page 3

Canada poll likely

New Canadian Premier John Turner is expected to call a snap general election. Page 20

Vienna arrests

Austrian police believe a nine-strong guerrilla group captured with guns and explosives was planning to attack a Pakistani target in Vienna.

Derailment deaths

Five people died and 137 were injured when an Amtrak train travelling from Washington to Montreal left the rails near Williston, Vermont. Carriages plunged down a ravine after heavy rain.

Rains hit Korea

Landslides and floods caused by torrential rains in South Korea brought a five-day death toll of 22 people with 25 others still missing. 4,000 made homeless, heavy crop losses, and property damage estimated at $36m.

Mitterrand visit

French President François Mitterrand begins a three-day visit to Jordan today to advance Middle East peace. He will have talks with King Hussein, who is pressing for a greater European involvement in resolving regional conflict.

Papal backing

Pope John Paul, in a message to a West German Roman Catholic lay congress in Munich, endorsed the "Decide for Life" campaign in the German church aimed at ending legal abortion even for mothers whose lives are endangered.

Kohl in Mexico

West German Chancellor Helmut Kohl was due in Mexico from Argentina for a three-day stay to discuss regional peace and the debt crisis. The visit is the first by a Chancellor since diplomatic links were established in 1952.

Israeli strikes

Industrial disruption in Israel over wage demands spread to air and seaports and banks. Page 3

Stitched up

A black market racket in medical supplies was discovered among workers at a pharmaceutical warehouse in the Soviet spa resort Pyatigorsk. Stealing and selling bandages and other essentials led to 125 dismissals.

Winning Finn

Keke Rosberg of Finland, driving a Williams, won the Dallas Grand Prix, delayed and foreshortened by track defects and complicated by a heatwave. Frenchman René Arnoux in a Ferrari was second, and Elio de Angelis of Italy with a Lotus took third.

Triumph for McEnroe

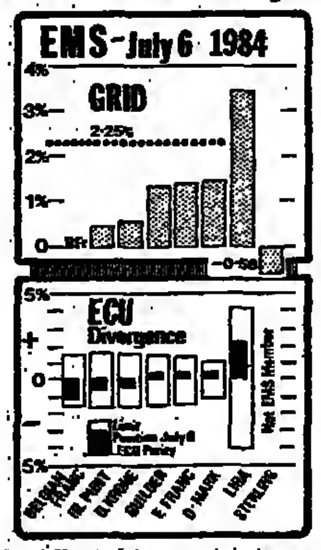
John McEnroe beat Jimmy Connors 6-1, 6-1, 6-2 in the Wimbledon men's tennis final – the fewest games of any post-war final.

BUSINESS

Caricom members face debt crises

HEADS of Government of the Caribbean Economic Community are seeking the assistance of the World Bank and IMF to meet debt difficulties. Heavily indebted member countries are said to be *facing* "grave crises." Page 20

ATTENTION remained focused on the strength of the dollar last week. There was little change in the cross rates within the European Monetary System, however, with the D-Mark's current weakness against



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

the dollar helping to minimise any downward pressure on the weaker members. The Bundesbank was active on most days selling dollars in an attempt to curb the rise. The Belgian franc remained the weakest member but was placed well within its divergence limit.

BANK OF FRANCE is signalling possible cuts in commercial bank lending rates by reducing its money market intervention rate. Page 2

CHINA and Australia are to work towards a model arbitration clause to cover private trade and investment contracts, which would become the first such pact with Peking. Page 4

EEC FINANCE ministers meet today to seek a common method of collecting value-added tax on imported goods, in order to simplify goods transit among the Ten. Page 3

REED INTERNATIONAL, UK printing and paper group, came under further pressure from publisher Robert Maxwell to accept his £80m ($105.4m) bid for its Mirror Group Newspapers unit. He withdrew all conditions from the offer.

MR DAIM ZAINUDDIN, one of the most influential figures on the Malaysian corporate scene, and Multi-Purpose Holdings, the biggest Malaysian Chinese corporate group, have agreed to exchange ownership and control of two banks: United Malayan Banking Corporation and the Malaysian French Bank. Page 22

The editorial content of today's international edition has been restricted because of continuing industrial action at Frankfurter Societäts-Druckerei, where the edition is printed. This prevents the publication of late-breaking news.

Production difficulties in London may have resulted in typographical errors in unit trusts, some advertisements and elsewhere in today's edition.

Publication of the Financial Times was prevented on Friday by industrial action by the National Union of Journalists.

Lagos to demand increase in oil production quota

BY DOMINIC LAWSON IN VIENNA AND IAN HARGREAVES IN LONDON

NIGERIA will demand a higher oil production quota when ministers of the Organisation of Petroleum Exporting Countries meet in Vienna tomorrow. That will set the stage for the most difficult Opec session since the London meeting in the spring of 1983, when official prices were cut by $5 a barrel.

Professor Tam David-West, Nigeria's Oil Minister, said yesterday that if other Opec ministers did not agree to his request, Nigeria – one of the few Opec countries to have stuck to its quota in recent months – might be forced to increase production anyway.

"I will go for the happiness of Nigeria before the happiness of Opec. Otherwise I would not have a country to go back to," Prof David-West said in Vienna yesterday.

"Others are benefiting from our observance of quotas," he added. Nigeria, he maintains, has stuck precisely to its 1.3m b/d quota throughout the second quarter of this year.

Some other Opec members, notably the conservative Gulf states, led by Saudi Arabia, have overproduced, with the result that Opec

Oil
The supply-demand balance (mb/d)

	2nd qtr 1983	2nd qtr 1984
Opec production*	17.7	19
Non-Opec production*	25.6	26.8
Total supply	43.3	45.8
Consumption	43	44
Gap between supply and demand	0.3	1.8

* Includes crude and condensates
Source: IEA oil market report, July

production is currently running by between 1m and 1.3m b/d over the intended production ceiling of 17.5m b/d of crude oil.

Saudi Arabia, which does not have a quota but is expected as the *swing producer* of Opec to stick to a limit of 5m b/d, produced an estimated 5.7m b/d of oil in June.

This has been a main cause of the sharp slide in oil prices in the last month, during which time the price of Arab light crude has fallen from $28.50 a barrel to $27.50 a barrel – a decline reflected also in falling North Sea oil prices.

The problem has been exacerbated by weak demand for oil. According to latest report of the Paris-based International Energy Agency, oil supply exceeded consumption by 1.8m b/d in the second quarter of this year.

Demand for oil in the second quarter was only 3 per cent higher than in the corresponding quarter of 1983, compared with a 4.9 per cent rise between the first quarter of each year. European oil demand actually fell in the second quarter.

Those trends have led many observers to forecast a further drop in prices. "The price of crude in three months' time may be anywhere between $25 and $35 a barrel," says Europ-Oil prices, an industry newsletter. "If the price starts to go down again after Vienna," one oil company man said, "It is hard to see a bottom." He thought $18 "a real possibility."

That recipe for alarm suggests

Continued on Page 20

Tanker owners cautious, Page 4

Developed world 'must beat inflationary fears'

BY STEWART FLEMING IN WASHINGTON

POLICY failings in the industrial countries, not just in the developing world, contributed to the severity of the 1980-83 recession, and shifts in policy will be needed if the international economy is to return to the growth rates of the 1960s.

This is one of the main conclusions of the World Bank's 1984 World Development Report, which was released for publication at the weekend. The report says the onus is on the developed countries to take the initiatives needed to improve the world economic outlook, in particular through steps to liberalise trade and improve the performance of their own economies.

"Growth prospects throughout the world would be transformed if (the industrial countries) overcame the rigidities and inflationary fears that slowed them down in the past ten years," the World Development Report says.

However, the report rejects moves to increase nominal demand in the developed countries as a way of achieving higher levels of employment or lower interest rates. It says, too, that because of the disappearance of the oil exporting countries' surpluses and the budget deficit of the U.S., global savings rates are unlikely to regain the level of the early 1970s and that, therefore, interest rates are likely to remain higher than they were during this period.

The emphasis the World Bank puts on the impact of policy decisions in the industrial world on economic growth in developing countries will tend to reinforce the arguments of developing countries. They are bitterly and increasingly arguing that the international debt crisis is forcing them unevenly to adjust their economies to the harsher international economic environment.

The World Bank report does emphasise the divergence in the economic performance of different groups of developing countries. It notes, in particular, the ability of Asian developing countries to weather the recent recession with only slight declines in economic growth. On the other hand, Latin American countries have suffered severe recessions.

The report says that economic policies in Asia help to explain these divergences. Countries with

Continued on Page 20

Sharing the blame, Page 3; editorial comment, Page 18

German tyre maker attempts to block unwelcome share raids

BY JOHN DAVIES IN HANOVER

CONTINENTAL Gummi-Werke, West Germany's largest tyre maker, is pressing ahead with efforts to market its new type of tyre after taking steps to thwart any unwelcome share raid by competitors.

The Hanover-based company has already held talks with vehicle manufacturers and other tyre producers about introducing the so-called ContiTyreSystem, which it presented late last year.

The management has convinced shareholders that the talks would have more chance of success if the company prevented any competitor from gaining an influential share stake.

As a result, shareholders voted by a large majority at the annual meeting to limit the voting rights of any single shareholder to no more than 5 per cent of the total.

The vote at the meeting on Friday closely followed a claim by *Conti-Gummi that it had learnt that* Goodyear, the U.S. tyre concern, had been offered but had refected a share stake in the West German concern.

Herr Helmut Werner, Conti-Gummi's chief executive, told shareholders that potential partners wanted to be sure that the German company was independent before they would enter into or extend technology co-operation.

Company executives said it appeared that no shareholders at present had more than a 5 per cent stake. In recent years the largest shareholders – Deutsche Bank, Munich Re-Insurance and Bayer, the chemical concern – decided to sell their stakes, in each case about 10 per cent of the total.

Heavy trading in Conti-Gummi shares over the past 18 months has fuelled speculation that an important new shareholder might suddenly emerge.

Herr Werner said that a big shareholder, either West German or foreign, might be welcome as long as its share purchase made strategic sense for Conti-Gummi. He pointed out that other West German companies, including Deutsche Bank, Bayer and Volkswagen, had limited shareholders' voting rights.

The new type of tyre developed by Conti-Gummi hooks over the rim of the wheel rather than banging from it. The company claims that it will be safer, will reduce fuel consumption, last longer and may eliminate the need for vehicles to carry a spare tyre.

Herr Werner said Conti realised it could not introduce the tyre on its own as it required adjustments on the part of vehicle manufacturers and general acceptance in the tyre trade.

Despite the virtual shutdown of the car industry through the seven-week metalworkers' strike, Herr Werner said it seemed possible that Conti-Gummi could continue paying a dividend. It made a DM 3 payout per share on last year's result.

Herr Werner said the group lost sales revenue of DM 85m and had to bring in short-time working because of the metalworkers' dispute, but hoped to make up at least part of the lost production in the rest of the year.

Conti-Gummi, which was on the brink of ruin just over 10 years ago, has streamlined its tyre production and its manufacture of other rubber products. Key elements in its recovery programme have been increased emphasis on technological development and co-operation pacts with partners abroad, including General Tire in the U.S. and Toyo Tire and Rubber Company of Japan.

Nigerian diplomats may face expulsion from UK

By Stephanie Gray and John Hunt in London

NIGERIAN diplomats may be expelled from Britain if they are found to have been involved in the abduction last Thursday of Dr Umaru Dikko, Whitehall officials said yesterday. The fugitive former Transport Minister is wanted in Nigeria to face charges of corruption.

Despite anger among ministers, however, it is highly unlikely that Britain would sever diplomatic relations with such an important trading partner and Commonwealth member.

A serious deterioration in relations might result if Nigeria took action against British investment there such as Unilever's United Africa Company and Barclays and Standard Chartered banks.

Dr Dikko was found drugged in a crate at Stansted airport marked as diplomatic baggage and addressed to the External Affairs Ministry in Lagos.

About the same time, a British Caledonian aircraft with 260 passengers was ordered to return to Lagos. The aircraft arrived in Britain yesterday after the Nigerian Airways aircraft which was to have carried the crate was given permission to leave Stansted.

The British Government appears not to want to exacerbate tensions, particularly in view of strong anti-British sentiment in press and state radio reports in Nigeria.

While the military government of Maj Gen Muhammadu Buhari again vigorously denied involvement in the abduction, the Sunday Times of Lagos declared Britain "an enemy to the interests of the Nigerian people" for having given refuge to Dr Dikko.

The former minister angered the Buhari regime by calls from London for a popular uprising. The kidnap attempt was widely welcomed in Nigeria.

The Foreign Office has asked the Nigerian Government to waive diplomatic immunity should any Nigerian High Commission staff be found culpable. None of the four men still held has yet claimed such immunity. A waiver would allow anyone with diplomatic status to be tried in Britain.

Two of the four may be members of Mossad, the Israeli intelligence agency, but any official link with them has been denied in Jerusalem. The other two are believed to be Nigerians.

Police began talks with Dr Dikko

Continued on Page 20

Adequacy of £ defence move watched

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

THE BRITISH Government will be monitoring the foreign exchange markets with special anxiety this morning to assess whether Friday's rise in interest rates will prove enough to check the recent slide in sterling.

The pound's performance on Friday was described by several London brokers and dealers as "disappointing" after clearing banks' base lending rates were raised ¼ of a percentage point to 10 per cent. The Bank of England endorsed the move by raising the rates at which it lends to the banking system to 10 per cent, in the face of a steep decline in sterling.

In spite of the rise in UK interest rates, the pound closed slightly lower against all main currencies on Friday, compared with its value at the close of business on Thursday. Its rate against the dollar at the London close was $1.3175, 3.9 cents lower than a week earlier. In New York it lost a little further ground to close at $1.3165.

The British authorities are reconciled to some fall in the pound's value against the dollar provided that broadly reflects the U.S. currency's strength, rather than any special weakness in sterling. The dollar is now at a record high against a basket of currencies of the U.S.'s leading trading partners.

However, last week, sterling lost 1.5 per cent of its value against a trade-weighted basket of currencies, with a steep fall against the D-Mark early on Friday.

It was that sharp fall against the West German currency, suggestive of an old-fashioned "run on sterling," that persuaded the author-

Continued on Page 20

Currencies, Page 34

Pressure on stocks in HK as rates rise

BY DAVID DODWELL IN HONG KONG

THE Hong Kong stock market was last night bracing itself for possible big falls in share prices this morning as the markets came to terms with emergency measures taken by the colony's banking authorities over the weekend to prevent a collapse of the local currency.

When prime lending rates were raised by a record 3½ per cent over the weekend, to 17 per cent, in an attempt to shore up confidence in the Hong Kong dollar in the face of relentless selling pressure from Europe, the stock markets had already closed for the weekend.

The weakness of the currency was almost entirely due to the strength of the U.S. dollar against currencies worldwide.

But when the stock markets open today, they have to cope with additional political worries linked with Chinese calls for a working group to oversee Hong Kong's transition to Chinese sovereignty in 1997.

British negotiators fear that such a body would put the Hong Kong Government in an invidious position and might give China effective control over the colony long before 1997.

Despite British Foreign Office refusal to comment on the matter, it has now become clear that the recall to London last week of Sir Edward Youde, Hong Kong's Governor, and Sir Richard Evans, Britain's ambassador to Peking, was for urgent talks on this Chinese demand.

Stock market operators were in no doubt yesterday about the general response to the weekend's political and interest rate news. The stock market, already battered by weeks of bad news, could expect new and substantial falls. The Hang Seng Index stood at 822.86 at the end of trading on Friday, more than 120 points below its level two weeks ago, and 350 points below the 1984 high, set in March.

Sir Edward Youde was briefed on the financial developments on his return to the colony on Saturday. He refused to comment on the London talks, but spent the weekend preparing to brief members of Hong Kong's executive council on the outcome. He was also preparing for the 18th round of secret Sino-British talks in Peking on the future of the territory, which begin on Wednesday.

Currencies, Page 34

CONTENTS

OVERSEAS NEWS

Paris shaves interest rates against trend

BY DAVID MARSH IN PARIS

THE FRENCH Government has given a strong signal of a modest possible cut in interest rates on bank loans, in spite of the round of credit tightening measures in the U.S. and Europe over the past fortnight.

The Bank of France last week, bucking the trend of interest rate increases decided in West Germany and Britain on Thursday and Friday brought a further 0.25 percentage points down by its day-to-day intervention rate on the French money market, which now stands at 11.25 per cent, down a full percentage point from the start of the year.

This is likely eventually to prod the big, mainly state-controlled, commercial banks into reducing their base lending rates, which have been held at 12.25 per cent since the beginning of last year.

The timing of any base rate cut is still uncertain, and will depend crucially on the performance on the foreign exchanges of the French franc, which in recent months has been holding up much better than expected against the D-mark and other key European currencies.

However, the Government is likely to welcome an early move to cut interest rates as part of general attempts to speed up investment-led recovery. Leading ministers, in a series of moves co-ordinated by M. Pierre Mauroy, the Prime Minister, are embroiled in working out spending cuts for the 1985 budget in order to allow room for promised tax reductions for companies individuals next year.

President Francois Mitterrand confirmed at the weekend that *taxe professionnelle*, a business tax paid to local authorities, based mainly on the level of a company's wage bill, will be reduced by at least FFr 10bn (£873m) next year, though this stops a long way short of the complete abolition demanded by business leaders and some presidential advisers.

The Paris Government has modest leeway to bring down domestic credit costs mainly because of the steadiness of the franc. Although like other European currencies, it reached a record low against the dollar last week, the franc has been firm against the D-mark and sterling, partly profiting from the relative calm in French industrial relations compared with the labour unrest in recent weeks in West Germany and Britain.

Whatever the controversy in France, the foreign exchanges seem to have been impressed by the French Government's refusal to bail out Creusot Loire, the heavy engineering group forced into bankruptcy at the end of last month. In a series of speeches during a tour of central France at the end of last week, M Mitterrand went out of his way to confirm that the tough anti-inflationary policy would remain in place in spite of mounting unemployment.

The continuing reduction of French inflation is also helping to support the currency. The year-on-year increase in consumer prices for May was 7.3 per cent compared with 9.3 per cent for last year. Although the Government's earlier-proclaimed target of a 5 per cent inflation rate for the end of this year will not be achieved, M Mitterrand last week claimed that the 5 per cent goal was "in sight."

Michael Donne and **David Marsh** examine prospects for the Euro fighter

France pushes for leadership

THE Defence ministers of the UK, France, West Germany, Italy and Spain are due in Madrid to try to settle the next stage in the development of a Eurofighter for the early 1990s, conscious that little progress has been made in recent weeks in settling outstanding differences on a wide range of issues.

These include such questions as project leadership; industrial work-sharing; the size and type of fighter to be developed; and the type of engine to be used.

The primary need for such a fighter stems from the fact that existing types, such as the Jaguars in the RAF and French air force, and Phantoms in the Luftwaffe, are ageing, and will need to be replaced by the early 1990s.

There have been several attempts over recent years to reach agreement on a new aircraft—of which eventually as many as 800 or more will be needed, with exports additional worth anything upwards of $15bn (£11bn) in sales—but all have foundered because of inability among the partners to agree on the fundamental characteristics of the aircraft and, more significantly, who does what in the development and production phases.

The main differences at present are between the British and French aerospace industries, both of whom have conducted detailed studies into such an aircraft, and who are now each developing their own separate "demonstrators"—the current way of talking about a "protoype."

The British are developing with private and Government money the Experimental Aircraft Programme (EAP), while the French are developing the Avion de Combat Experimental (ACX).

While the message coming from both the British and French Defence Ministries is that the differences of view have been exaggerated (the two Ministers are said to be on Christian-name terms), there is little doubt that in the aerospace industries the differences are real and substantial.

The French industry, through the doughty Mr Benno-Claude Vallieres, 73-year-old chairman of the State controlled Dassault-Breguet *military aircraft group*, has made it clear that, while the French Defence Ministry claims there will be "no victories and no vanquished" in the five-nation tussle, France will go ahead anyway with its own aircraft if there is no agreement in Madrid.

The difference between Britain and France over development of a common European fighter aircraft for the 1990s may be unbridgeable, according to UK industry officials. Today's meeting, however, might lead to progress.

For its own part, the UK Defence Ministry says nothing about talks in London last week between Mr Michael Heseltine, UK Defence Minister, and M. Hernu, the French Defence Minister, which followed abortive talks in Paris two weeks ago in a bid to settle the problems.

The French, according to UK sources, want leadership of the venture. They also want the major design centre to be based in Paris; the engine to be the French Snecma M-88 and not a derivative of the UK-West German-Italian Panavia RB-199; and they would prefer to see a lighter, ground-attack type of aircraft whereas tha UK and West Germany would prefer a heavier, air-superiority type.

On all these issues, the differences with the UK in particular are deep, and apparently (in the industry's view) unbridgeable. Privately, UK aerospace industry chiefs argue that, because this is likely to be the last major fighter aircraft to be developed in Europe this century, there can be no giving way to any of the French *demands*.

What the UK wants to see is a true partnership, with the UK, France and West Germany having, say, 25 per cent each, the Italians 15 per cent and the Spanish industry 10 per cent, or some other distribution that prevents any one nation from dominating the programme.

France is pushing for technical leadership because of its previous experience in making Delta-winged fighters. As M Vallieres puts it: "If Europe had chosen to build a vertical take-off aircraft, it would be logical that Britain should have the lead role."

France is also unhappy about the idea of building a central design team around the British-West German-Italian Panavia combine set up to build the Tornado multi-role combat aircraft, which it believes led to unsatisfactory results in terms of cost efficiency and overall planning — criticisms the Panavia combine rejects.

Both the French Government and Dassault-Breguet underline that the lesson of the Tornado experience was the danger of building a European aircraft in too many versions.

France is pushing for a completely new engine for the Eurofighter, to be built preferably by the French Snecma aero-engine group. The view in Paris is that the RB-199 proposed by Britain would both be too old by 1995 and would also be too heavy *for* the 9 to 9.5 tonnes aircraft which the French would prefer. "It is no use having an advanced airframe, radar and so on if the motor is old," says M Vallieres.

French Defence Ministry officials, however, say there is no truth in the suggestion that France is pushing for a 46 per cent-plus share in the overall project.

The French Government believes that work-sharing should be decided on the basis of the orders of the five nations' air forces.

The indications currently circulating in Paris are 250 for France (plus another 80 for the French Navy's carrier-borne force), around 200 each for the UK and West Germany, and 100 *each for Italy and Spain.*

In the meantime, the UK is pushing ahead strongly with its own "demonstrator" aircraft, which will fly on schedule in 1986.

At Monday's meeting, much will depend on the attitudes of the West German, Italian and Spanish Governments and industries. So far, they have been sitting very much on the sidelines, but they have privately been just as unhappy as the British industry as to the French demands.

S. Africa raises key interest rate

SOUTH AFRICA, the world's major gold producer, is bracing itself for an economic squeeze that could lie ahead unless bullion prices pick up soon from last week's slump in the world price.

The Reserve (central) Bank announced at the weekend that it was raising a key interest rate by a quarter of 1 percentage point from today and economists predicted that bank lending rates could rise by 1 percentage point from current record levels as early as this week.

A number of Reserve Bank rates are affected by the announcement. Two of the main ones, Treasury Bills and Bankers' Acceptances, have been increased to 18.25 and 18.75 per cent respectively.

Gold dropped to below $340 an ounce in New York on Friday from almost $370 just a week earlier. It picked up slightly to $348 when world markets closed for the weekend in the Far East.

Mr Owen Horwood, Finance Minister, and Mr Gerhard de Kock, Reserve Bank governor, said in a statement that South Africa, which produces about half the world's gold, would have to tighten its belt if the price did not recover significantly in the months ahead.

But they added that gold's decline could be temporary and what mattered to the South African economy was the average price over a period of weeks or months.

South Africa generates about half its foreign exchange earnings from bullion and loses $2bn in revenue a year for each $100 decline in the price of gold.

Some bankers forecast that the banks' prime lending rate, currently 21 per cent, could reach an unprecedented 22 per cent this week as the Government tried to curb domestic demand and prevent the nation living beyond its reduced means. Reuter

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Beirut crossings blocked by kidnap protests

BY TONY WALKER IN BEIRUT

PROTESTS by families of those kidnapped during Beirut's sectarian violence are holding up efforts to reunify the city and threatening the implementation of a Syrian-backed three-stage plan to bring peace to Lebanon.

The prostestors, who are demanding the return of hostages held by rival militias, are preventing the reopening of most of the crossings on the "Green Line" the confrontation zone between predominaly mostly Moslem West and Christian East Beirut.

Those protesting the continued detention of hostages set up barricades and burned tyres at crossings on the "Green Line that were meant to open at daybreak. There is concern here that continuing protests may lasо set back the opening today of Beirut's airport closed since February. An army communique announced at the weekend that the orport would open today.

Cabinet Ministers and representatives of rival Christian and Moslem militias met representatives of the protesters at the weekend to set a time for the release of hostages. But apparently the undertakings given failed to satisfy those whose relatives have disappeared in Lebanon's more than nine years of faction fighting.

Rival militias report holding several hundred people, but that leaves many more, perhaps several thousand, unaccounted for. There is fear in the new Lebanese Government of "National Unity" that when it becomes apparent that many people have simply "disappeared" it will start bigger and more disruptive protests from those now calling for the release of kidnap victims.

The kidnappings and counter-kidnappings of Christians and Moslems during the fighting is a most unpleasant feature of Lebanon's sectarian conflict and one that is certain to cause lingering bitterness between various Lebanese factions. The suspicion is that hundreds of hostages have simply died or been killed in captivity.

In all, three crossings were to have been opened yesterday, on the Green Line, one in the south near the port and the others in the north, taking to four the access points across Beirut's confrontation zone.

There was some traffic allowed through yesterday at the crossing near the port but at other points on the Green Line cars and trucks were banked up for hundreds of metres waiting for the roads to clear.

The reunification of Beirut for the first time since February was to have been an important symbolic move and a key element of the peace plan

Asean to discuss conflict in Kampuchea

By Chris Sherwell in Jakarta

THE KAMPUCHEAN conflict and prospects for wider Pacific co-operation are expected to dominate the two-day meeting of foreign ministers of the six member Association of South-east Asian Nations (Asean) which begins today in Jakarta.

The meeting is the annual diplomatic highlight for the pro-Western grouping which embraces Thailand, Indonesia, the Philippines, Malaysia, Singapore and new member Brunei. It will be followed by ministerial level meetings with Asean's main partners, the EEC, the U.S., Canada, Japan, Australia and New Zealand.

Representing the U.S. will be Mr George Shultz, the Secretary of State, who is scheduled to visit Malaysia and Singapore before coming to Jakarta and will then go on to Australia and New Zealand for an important meeting of the ANZUS (defence pact) council in Wellington on July 16 to 17.

This will be Mr Shultz's fourth trip in 14 months and underlines the increasing U.S. interest in Pacific basin affairs as expressed at the time of President Ronald Reagan's visits to Japan and China during the past year.

A development which reflects this shift of thinking is the Asean foreign ministers decision for the first time to hold a separate dialogue session with the U.S., Canada, Japan, Australia and New Zealand. The idea is to promote Pacific co-operation, which could develop at the expense of the Europeans.

● In an attempt to avoid the problems European countries face with immigrant workers, Singapore has said it will cancel the work permits of foreign workers who marry Singapore citizens without official approval, AP reports

Despite an earlier government warning, 2,920 people married Singapore women in 1983, compared with 1,448 in 1980 and 318 in 1976, the Ministry of Labor said.

Allowing foreign unskilled workers to sink roots without contributing to the long-term economic development of Singapore, "Would be to invite serious problems such as those faced by European countries."

Stewart Fleming in Washington analyses the World Bank Development Report

Developed countries must share the blame

ON THE face of it, next month's Republican Party presidential nominating convention in Dallas is an event which should have absolutely no connection with the threat to the world's economic and political stability posed by the population explosion in developing rountries.

But a position paper circulating in the White House has set the nerves of demographers jangling and has sparked a bureaucratic battle in Washington between the State Department end the Agency for International Development, on the one band, end a core of White House officials, on the other.

The position paper recommends an abrupt shift in U.S. policy towards the world's population problems, one which population analysts, such as Mr Peters Wilson of the Alan Guttmacher Institute in Washington, fear could lead to a drastic cut in the volume of funds whicb the U.S. is currently providing to promote efforts to control population growth around the world.

According to Mr Willson, the U.S. currently provides around balf the $500m whicb donor countries give for projects to curb population growth. A sbift in U.S. policy, such as the one he sees buried between the lines of the White House paper, rould, be suggests, cut U.S. funding in balf.

Mr Willson is not alone in his concerns. Mr Rafael M. Sales, executive director of tbe *United Nations Fund for* Population Activities, who has been named secretary general of the forthcoming World Population Conference in Mex*ico City*, has warned of a "concerted attack on the overall usefulness of international population assistance" by groups in the U.S. who have proposed that the U.S. withhold ald lo international organisations that practise or advocate abortions. "This attack," he says, "poisons the etmosphere for effective population programmes."

Officials at the World Bank in Weshington are also fingering their collars nervously. This week, the World Bank releases

Criticism at the convention from anti-abortion lobby

its World Development Report for 1984, the bulk of which is taken up with a detailed analysis of the population explosion.

The thrust of the report is also at odds with the views of the officials who prepared the White House position paper.

What all this has to do with the Republican Party convention in Dallas is quickly explained. Tbe convention takes place in the third week in August, the population conference in Mexico at tbe beginning of the month. It is widely suspected that one reason why some White House officials are pressing for a shifl in U.S. policy on population control is *that they do not want to be vul*nerable to criticism at the ronvention from the anti-abortion lobby.

The lobby has supported President Reagan but does not feel it has won the big victories it has hoped for in return for this support. Although Federal Government funding for abortion *has* been virtually eliminaled and for family-planning sharply cut, the Supreme Court decision of 1973 legalising abortion still stands.

The proposed position paper for the Mexico meeting, writlen in the White House, while rejecting the idea that populetion growth should simply be ignored points lo differences "in the choice of strategies and methods" for altaining global population equilibrium.

It describes population growth es "a natural phenomenon," saying thai whether it is good or bad depends on economic and social constraints.

"The relationship between population growth and economic development is not a negative one," it maintains. It points out that rapid population growth in the U.S. stimulated eronomic growth. It describes rapid population growth in the Third World as "a success," reflecting "the spread of Western ideals" in fields such as medicines. It blames the failure of "planners and public officials" for the problems presented by rapid population growth. "Economic statism," it says, prevented the birth rate in the developing world from falling *naturally* as it did in the industrial world, with increased affluence.

Instead of population control, the paper advocates free enterprise *economics* lo help developing countries grow out of their problems and it "rejects compulsion or coercion in family planning programmes."

This is an analysis of the issues which clashes with the views expressed by the State Department in its proposed position paper at the Mexico conference and also with the deteiled analysis in the World Bank's World Development report, and an article published in the summer issue of

India would become the world's most populous nation

Foreign Affairs by former World Bank President, Mr Robert McNamara. The World Development Report, for example, sees world population rising from 4.8bn ıoday ıo 9.8bn in the year 2050, with almost all the growth—from 3.6bn ıo 8.4bn—concentrated in countries classified today as developing.

Over this period, India would become the world's most populous nation, with 1.5bn inhabitants; Bangladesh, one of the world's poorest countries, would see its population increased to 450m, from around 93m now; Kenya's population would increase from 18m to 120m; and Etbiopia's from 33*m* to 164*m*.

But the World Bank is in no doubl that "rapid population growth is a development problem," or that there are appropriate public policies which can reduce fertility, policies, which it claims, have already proved their worth. Mr McNamara is more explicit in his concerns about the longer-term implications of the figures.

"At tbe national level," he writes, "rapid population growth translatea into a steadily-worsening employment future, massive city growth, pressure on food supplies, degradation of the environment, an increase in the number of 'absolute poor' and a stimulus to authoritarian government."

He sees the political turbulence, which rapid population growth tends to stimutate, as liable to "spill over into the international arena." He draws special attention, as does the World Development Report, to sub-Saharan Africa, a region which development economists see as facing horrendous problems, including a doubling of its population in the next 20 years to 880m. "The important question is whether it will swell to five or six times its present size' in the next half century," Mr McNamara says.

The idea that free market economics can solve the challenges posed by the inter-action of such daunting population and economics development problem may strike some experts as ludicrous. Bu‌t the fact that some White House officials are trying to shift U.S. policy in this direction means that the argument cannot simply be ignored.

Israel beset by wage disputes ahead of poll

BY DAVID LENNON IN TEL AVIV

THE eve-of-election labour problems which have been plaguing the Israeli economy for the past few weeks spread to the country's main air and seaports this week and disrupted bank services.

Haifa Port was closed for several hours yesterday by striking seamen, and flights to and From Ben Gurion airport are expected to be disrupted today and tomorrow after customs officers decided to work to rule.

All branches of the Israel Discount Bank, the country's third largest bank, were closed yesterday by a 24-hour warning strike. Staff are upset by what they described as management's "intransigence" over wage demands.

The normally difficult period when the new annual wage agreements are negotiated has been made much more severe because of the forthcoming parliamentary elections. Most Israelis expect tough new measures to be taken by the Government after the July 23 poll, and are pressing for all they can get.

No sooner has one strike been settled than another has started.

Shultz confirms U.S. will attend Vienna talks

BY STEWART FLEMING IN WASHINGTON

THE U.S. and the Soviet Union continued their efforts over the weekend to wrest the maximum possible propaganda advantage from Soviet proposals to hold talks in September about space weapons. However it remains unclear wbether the diplomatic manoeuvres are leading the two super powers closer to talks or represent efforts on both sides to embarrass the other and ensure that the rival is saddled with the responsibility if talks do not ultimately take place.

On a Far East trip, Mr George Shultz, Secretary of State, repeated Washington's public policy line that the U.S. does indeed want talks on measures to curb the military use of space to take place.

The Soviet Union has rejected as a pre-condition the U.S. statement that It intends to raise the missile issue al the talks

In his remarks, Mr Sbultz sought to refule suggestions that the Reagan Administration is not really interested in an agreement on limiting the developing of anti-satellite weapons and he confirmed again that the *U.S. would* go to the Vienna talks in September.

War in space. Page 19

Argentina, IMF 'some way from understanding'

ORVIETO, Italy — Argentina and the international Monetary Fund (IMF) are still some way from an understanding on Argentina's $43.6bn international debt problem and the need for rorrectire policies, Sr Bernardo Grinspun, lhe Argentine Eronomics Minisler, said here today.

He was speaking after Informal talks with M Jacques de Larosiere, the IMF director general, during a two-day development and ald ronference.

Sr Grinspun told reporters be was optimislic an agreement with the IMF would finally be reached.

Reuter

Harmony in VAT collection system sought by EEC

BY PAUL CHEESERIGHT IN BRUSSELS

FINANCE MINISTERS of the European Community have their last chance today to agree on a measure of tax harmonisation which would have a significant effect on the creation of a genuine common market among lhe Ten.

The measure, which concerns lhe collection of value-added tax on imported goods, will be discussed at the first meeting of Finance Minisler since the Fontainebleau summit lasl month when Community leaders sought to create new Impetus for economic integration.

The European Commission has proposed that EEC states should emulate the UK and rollect VAT on imported goods at lhe point of destination and not, as is the general practice, at tbe frontier.

But, in his budgel last March, Mr Nigel Lawson, the British Chancellor of the Exchequer, said the UK would adopt the general practice In October unless the Commission proposal Is accepled.

Once lhe UK falls in line, it Is accepted, the Commission proposal Is dead and buried.

Agreement with lhe Commission now *seems* unlikely, the new Fontalnebleau spirit notwithstanding.

Australia and China agree talks on trade arbitration procedure

BY MARK BAKER IN PEKING

AUSTRALIA may become the first country to agree with China on a model arbitration clause to cover private trade and investment contracts.

The move, if successful, is expected to quicken and make easier the expansion of commercial links between the two countries taking place at present.

China agreed to begin talks on drafting a "model clause" at meetings in Peking last week with Senator Gareth Evans, the Australian attorney-general

Senator Evans said that while the Chinese were sensitive on the issue of commercial disputes handling, and the negotiations were likely to be complex, the decision to enter discussions was a significant development in itself.

The Chinese have agreed to work towards an inter-government agreement that would set out model procedures for settling disputes which would be available to all companies and government agencies for inclusion in their contracts.

Australia has proposed the use of a regional arbitration centre in Kuala Lumpur to mediate serious disputes.

At present, all traders dealing with China and companies making investments have to negotiate arbitration provisions individualy with the respective Chinese authorities.

About half the foreign companies who have signed contracts with China in recent years are believed to have incorporated provisions for third country arbitration, usually in Sweden, Britain or Switzerland.

But China is still believed to be sensitive about agreeing to outside adjudication of disputes and there are said to be frequent arguments over the rules and procedures for such settlements.

Australian trade department officials deny that the move for a model clause is prompted by disquiet among Australian companies, but several companies are known to have complained of the Chinese over-riding serious disputes.

"What this is all about is trying to anticipate disputea that might arise in the future and create some mechanism to solve substantial disagreements," Senator Evans said.

Labour leads in NZ opinion poll

WELLINGTON—With a week left to general elections, the opposition New Zealand Labor Party had a commaoding 12 per cent lead over the Government in a national opinion poll published over the weekend.

The poll, condncted for the New Zealand Herald newspaper, gave Labor 48 per cent to the governing National Party's 36 per cent. An earlier poll by another group showed Labor with a 7 per cent lead.

If the poll is accurate about next Saturday's election, Labor would win a 23-seat majority in the 95-seat Parliament, according to the newspaper.

The poll was taken between June 23 and 26, a week after Prime Minisetr Robert Muldoon called a snap election after losing his one-seat majority in Parliament by the defection of a party member. It showed the biggest lead for Labor over the National Party in an opinion poll since 1973.
AP

World Economic Indicators

RETAIL PRICES
(1975=100)

	May '84	April '84	March '84	May '83	% change over previous year
W. Germany	143.5	143.4	143.1	139.4	2.9
France	243.4	242.2	240.7	226.0	7.7
Italy	379.0	376.0	373.3	340.1	11.4
Netherlands	161.8	161.8	161.0	156.1	3.7
Belgium	181.5	181.1	179.9	169.3	7.2
UK	260.4	259.4	256.0	247.7	5.1
U.S.	192.1	191.5	190.6	184.3	4.2
Japan	154.0	153.4	153.0	151.5	1.7

Source: Eurostat

Abu Dhabi orders pipeline study

By Angela Dixon in Abu Dhabi

THE BOARD of the Abu Dhabi National Oil Company (Adnoc) bas commissioned a detailed study from Bechtel of the U.S. for a pipeline leading from the ooshore Habshan field in Abu Dhabi to Fujairah.

Fujairah is one of two of the United Arab Emirates with a coast on the Gulf of Oman (Indian Ocean) side of the Strait of Hormuz.

The brief is for a 48-inch diameter pipeline and bas been budgeted at $500m.

Senior Bechtel officials have been in Abu Dhabi for three weeks to confer with Adnoc on the study.

Several engineering companies, including Bechtel, have in the past submitted feasibility studies on a pipeline from Abu Dhabi to the east coast of the Emirates. Bechtel's previous study would have taken four years to complete, while the present proposal is to complete a pipeline in less than two years.

Local construction groups are already showing an interest in the pipeline and some of them have had experience in pipeline construction. A network to carry gas from Sharjah to utilities and industries in the northern Emirates, including Fujairah, is now nearing complebon.

The Habshan field, which produces Murban crude, is Abu Dbabi's major onshore field. Preseot exports leave from the leading terminal at Jebel Dbanna, about 150 miles (240 km) closer to Qatar than Abu Dhabi city.

Chinese technology for North Africa

CHINA will provide technology to help to build a railway in Libya and a reservoir in Tunisia hut will not help to fund the projects, vice premier Li Peng said yesterday.

Li, who toured North Africa in May, said: "China is willing to provide as much aid as it can afford, hut the emphasis will be shifted to projects which need less investment, produce immediate gains and return more practical results."

His comments appeared in an interview in the official English-language weekly Peking Review. AP

Paul Cheeseright explains the apparently endless intricacies of a defence contract

Anti-climax of Belgium's 'jeeps affair'

FREDDY VREVEN is one against three. The Belgian Defence Minister has long wanted bis army to replace an ageing fleet of Land-Rovers with 2,500 four-wheel-drive vehicles from Mercedes Benz of West Germany.

But Mr Vreven has found himself in the uncomfortable position of having three cabinet colleagues in a crucial committee to suepervise defence purchases who want to buy the vehicles from Bombadier in Canada. Bombardier makes the Volkswagen Iltis under licence.

For a year now the issue bas been tossed back and forth, making the decisioo-making process sluggish even by the standards of Belgium with its constant need to reconcile claims from the disputatious communities of Flanders, Wallonia and Brussels.

Periodically what is dubbed "the jeeps affair" comes to another anti-climax. This weekend there has been another.

It is freely believed that Mr Wilfried Martens, the Prime Minister, has stepped in and told Mr Vrevens to buy from Bombardier, a purchase worth some BFr 2bn (£26m).

But as ministers stopped work for the weekend, both the Prime Minister's Department and the Defence Ministry were saying the matter had not come up at the Friday cabinet meeting. "The man who has to sign is Vreven. Until he does there is no formal decision," said a spokesman.

On Friday though, the Defence Ministry confirmed that it had sent a telex to three companies asking them to extend the deadline of their offers again. Officials had lost count of how many times this had been done, but they thought that this occasion was probably the thirteenth.

The telex went not only to Mercedes and Bombardier but also to Beherman Doemoen, the Belgian company which is the longstanding agent for the Britisb Land Rover. And hereby hangs a tale, because there is still a formal offer on the table to supply Land Rover to the Belgian Army.

The tale started over two years ago when the Belgian Government sought tenders. The three companies were invited to submit each two vehicles for technical trials. But even at that stage, the Army was believed to have made up its mind that it wanted Mercedes.

The weather deteriorated on trials day; Landrover was the last to perform; engine trouble struck and mud got in tbe oil filter.

On the Beherman account, that was enough for the Army, which would accept no explanation and did not seem impressed with the offer of a three-year guarantee on every engine.

Still, at that stage, the Landrover offer was the lowest —BFrs 1.7bn, against BFrs 2.3bn (£22.3m—£29.8m) for Mercedes and more again for Bombardier, it is said. Mercedes seemed the main competitor for Landrover.

But, claimed Beherman, the Landrover was tbe only vehicle which actually fully met the technical specifications laid down by the Army. It had, for an example, a manual throttle —which is what the Army wanted — while the Mercedes tbrottle was automatic.

At any rate, the technical reports favoured Mercedes. A committee to co-ordinate public purchases agreed. By this time Beherman was incensed enough to be preparing legal action — an appeal to the Council of State, demanding the re-opening of tbe tenders.

By July 1983, Mr Vreven could have moved. But he did not.

Political sensibilities were being aroused, and he clearly felt the need for more support. The offset race had begun—how much local manufacturing the rival companies wonld be prepared to undertake, how much they would buy from Belgium if Belgium bought from them.

With Landrover effectively out of the running, Mercedes was pitted ogainst Bombardier, which began to score heavily against Mercedes because of its offset proposals.

Mr Vreven's colleagues favour Bombardier not so much because of the Ilts as such, but because it is prepared to offer offset three timea more than the purchase price and in a way wbich attracts the two French-speaking members of the committee.

The offset is said to include the chance for Fabrique Nationale Herstal to provide weapons for the Canadian Army and for La Brugeoise et Nivelles and ACEC to help Bombardier make metro carriages for a New York contract. La Brugeoise et Nivelles is olready doing work for Bombardier on a Portland, Oregon, contract.

Meanwhilo the Army is now said to care less about Mercedes. It just wants any new four-wheeled drive vehicle it can got.

U.S. to buy Hope electric cars

BY HILARY BARNES IN COPENHAGEN

HOPE MOTOR Company in Hadsund, North Jutland, has signed a $750m contract to dellver 226,000 electrically-driven cars to an American trading company over a 10-year period.

Hope announced its plans to manufacture the car, the Hope Whisper, last year. Production of the first vehicles began on June 18.

The car was developed entirely by the Hadsund company, a smally privately-owned company whose main business until now has been the manufacture of computers and equipment for the printing industry.

The company is controlled by its founder, Mr Thure Barse Carnfeidt.

The car has a range of 100 km between battery recharges, a speed of 70-80 km per bour and is cheap to run. Hope claims the cost per kilometre is about 11 ore (about 1 cent). The price of the car in Denmark will be DKr 58,000 ($5,800).

The new contract was signed with a recently established company in Miami named Lectra-Mabc Automohile Company.

The contract is for delivery of 6,000 cars in both 1985 and 1986, rising by 5,000 a year to 45,000 in 1995. Hope says the value of the contract is at least DKr 7.5hn ($750m) and could be as high as DKr 10bn.

Hope bas so far sold 500 cars to Switzerland and 200 to Ghana, where it has also agreed to set up an assembly plant for the car.

OECD export financing rates to rise

BY NANCY DUNNE IN WASHINGTON

EXPORT financing rates charged by members of the Organisation of Economic Co-operation and Development (OECD) will increase by 1.20 per cent on July 15, the U.S. Export-Import Bank has announced.

Under their international arrangement, OECD members review the weighted average interest rate each January and July on Government hond issues in the U.S. dollar, German mark, British pound, French franc and Japanese yen.

During June, the weighted average was 11.30 per cent, 1.20 per cent above the May 1983 henchmark rate of 10.10 per cent that was used to set the minimum export credit rates in October, 1983.

An automatic adjustment is triggered with a change of 0.5 per cent or more. The rates were reviewed last January, but were left unchanged because the weighted average interest rate on Government bonds during December was 10.5 per cent, or 0.4 per cent above the May 1983 benchmark.

Eximbank officials, who have sought to pbase out subsubised financing, said that on June 1, the bank's borrowing rate was 13.7 per cent.

The hank will, however, maintain lending rates at the lowest level permitted hy the OECD international arrangement.

Loans supporting exports to the world's poorest countries will be made at 10.7 per cent.

Tanker owners remain extremely cautious in Gulf

BY OUR INDUSTRIAL STAFF

TANKER OWNERS doing business in the Gulf last week, particularly witb VLCCs (very large crude carriers) were given a brief respite from attacks by warring Iraqi or Iranian aircraft.

One ship, having loaded at Ras Tanurah in Saudi Arabia, was attacked, however. Although it was not badly damaged, it seems likely that owners will continue to view the northern Gulf with extreme caution given the outbreak of attacks at the end of June after an earlier lull.

Brokers report that owners are, in any case, tending to hold their ships to the more southerly Gulf ports.

Shell, which has 270,000 tonnes of crude to move from Ras Al Khafji and Ras Tanurah, further south, to Singapore, apparently got a good response from owners, with quotes just over Worldscale 40—some 55 to 60 points lower than owners had been quoting to move a cargo from Iran's Kharg Island terminal.

There are, in fact, signs that charterers are being more aggressive with owners and their position is being strengthened by the notion that without the prohlems in the Gulf, rates for VLCCs and smaller ships would be very poor.

● The Greek Merchant Marine Ministry revealed on Friday that the country's merchant fleet shrank by about 10 per cent between May 1983 and May 1984.

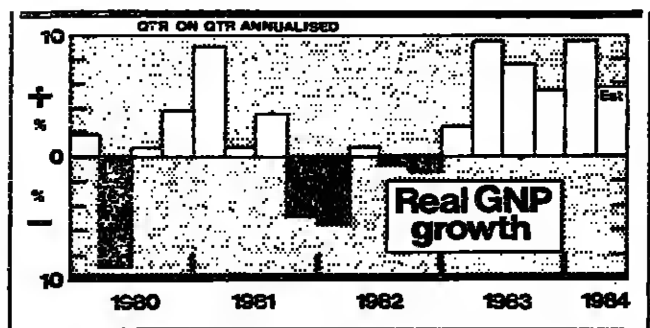
The Greek fleet totalled 3,124 ships, weighing 35m GRT at the beginning of last May, compared to 38.7m GRT a year earlier.

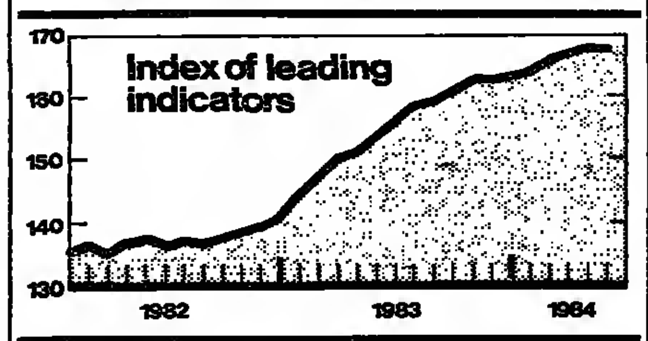
The number of Greek-owned ships flying foreign flags also declined, to 365 (6.7m GRT) at the beginning of May, from 427 vessels (7.5m GRT) a year earlier.

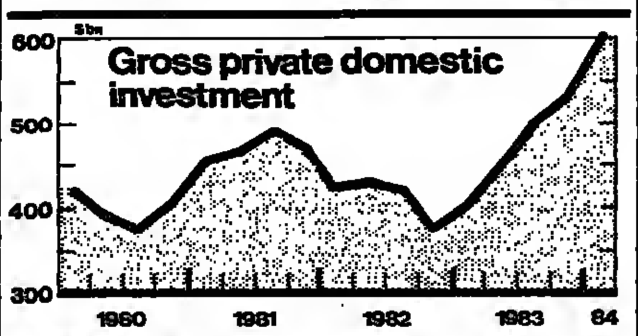
Cyprus dam contract

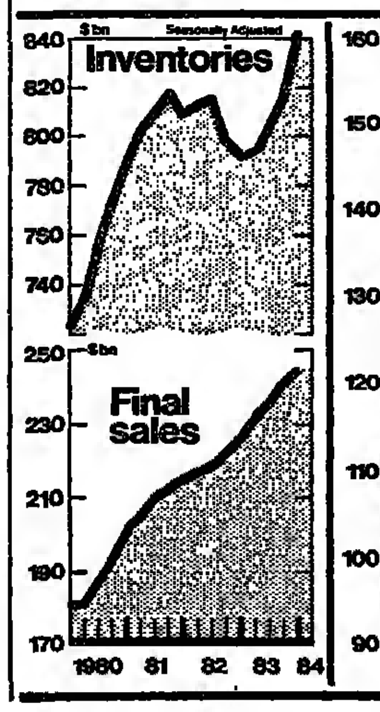
The Italian company Impregilo S.P.A. and the Cypriot contractors Joannou and Paraskevaides have won the contract for the biggest dam ever to be constructed in Cyprus at a cost of nearly C£20m ($34m). The dam, on Kouris River, near Limassol on the south of the island, will form an important part of the ambitious water and irrigation scheme known as the Southern Conveyor Project designed to meet the water supply needs of many towns and villages.

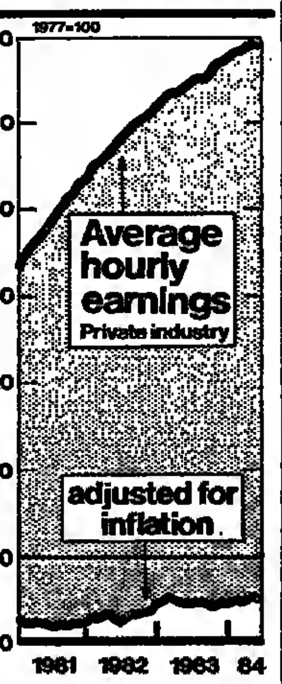
STATISTICAL TRENDS: U.S.

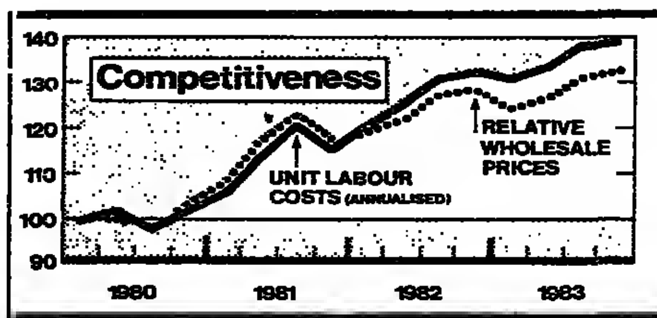


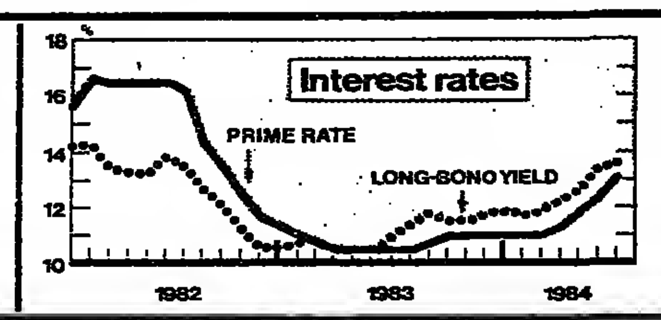


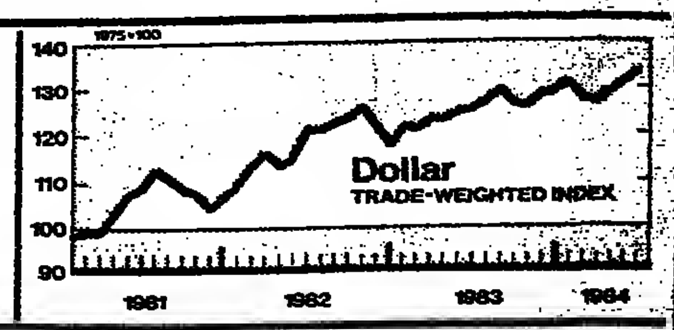


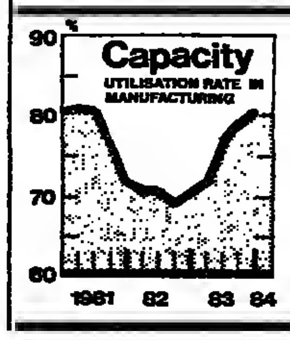


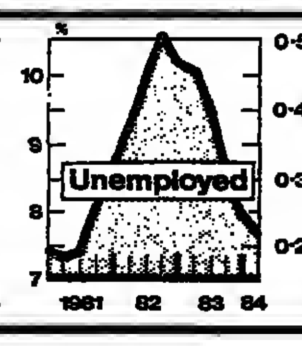


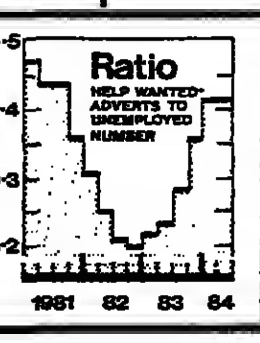


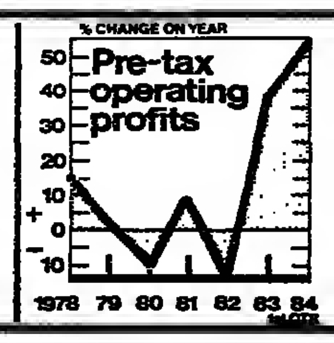


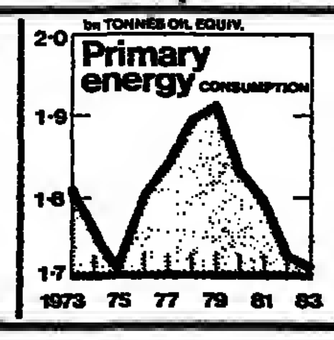


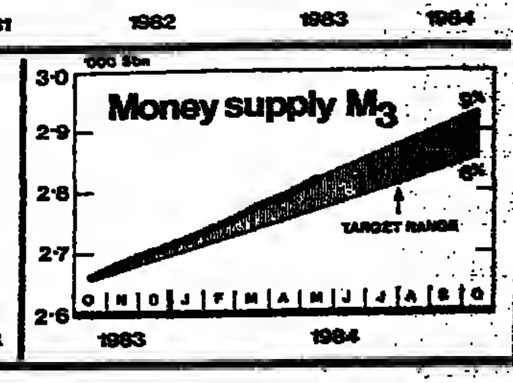












Interest rate outlook holds key

THE unexpectedly high estimate for growth of U.S. gross national product in the second quarter of this year has underlined other indicators which suggested that the economy there is still expanding strongly. Investment, inventories and final sales of business all tell the same story, while the unemployment rate is continuing to fall and the rate of capacity use in manufacturing is rising.

The index of leading indicators registered a fall in March, appearing to indicate a slowing in growth, but following two revisions the data now show an increase. The May figure has initially also shown a slight decline, but the trend is by no means clear.

One of the most noticeable features of the recovery has been the very sharp rise in corporate profits in 1983, which is continuing into this year. Monetary growth remains strong, though down on the rates of growth last year.

The fear that very high real interest rates would act to choke off the recovery has been replaced by the fear that the recovery is proceeding too quickly, bringing with it the danger in the short term of a further rise in interest rates, and in the longer term a resurgence of inflation. Higher interest rates are of concern not merely because of the effect on the American economy but because of their global effect, not only in terms of the European recovery but also affecting the ability of the debtor countries to service their debts.

As far as inflation is concerned—while the figures do not yet show such a resurgence—capacity bottlenecks, higher raw material prices and the prospect of bigger wage deals are all factors which may feed through into higher prices.

The continuing high level of interest rates appears to be the result not only of the federal budget deficit but of the demand for credit from the private sector combined with public sector demand.

It was credit demand from the private sector which accelerated in the second half of 1983, while that from the public sector fell back. Nevertheless, public sector demand remained high compared with the levels experienced in previous recovery phases of the economy.

Net private saving—the sum of personal saving and undistributed corporate profits—moved down from a level double the deficit in 1980 to being equivalent to it in 1983. Foreign capital inflows have filled the gap between the pool of U.S. savings, and the financing of the budget deficit and the soaring current account deficit. Such inflows require higher and higher returns, in the form of high interest rates and other incentives.

While increases in wages and unit labour costs have been modest, the strength of the dollar has been the major factor in the decline in U.S. competitiveness. The record deficits on the merchandise trade account, and the unprecedented levels of the current account imbalance—forecast at around $80bn this year—result not only from the exchange rate, but also from the fast pace of the U.S. recovery compared with that in the rest of the industrialised countries. In addition, the debt crisis in Latin America has reduced U.S. export markets there.

Commentary by Our Economics Staff; data analysis by Financial Times Statistics Unit; charts by Financial Times Design Department

Prices

Annual % change	Producer prices	Consumer prices
1st/81	10.96	11.21
2nd/81	10.79	0.82
3rd/81	0.23	10.85
4th/81	7.16	9.57
1st/82	5.49	7.65
2nd/82	3.30	6.83
3rd/82	3.74	5.79
4th/82	3.60	4.47
1st/83	2.24	3.80
2nd/83	2.11	3.32
3rd/83	1.42	2.58
4th/83	0.85	3.29
1st/84	2.36	4.47
2nd/84†	2.77	4.37

† April and May.

Real Interest Rates

	Short-term*	Long-term†
1979	−6.1	−1.8
1980	−0.4	−2.0
1981	5.8	3.6
1982	6.1	6.8
1983	5.9	7.9
1984		
Jan	5.3	7.6
Feb	5.0	7.3
March	5.4	7.6
April	5.9	8.1
May	6.9	9.2
June (estimate)	7.3	3.1

* 3 month CDS. † 10 year Treasury yield.

Balance of Payments US$m

	Trade Balance	Current Account Balance
1973	+911	+7,138
1974	−5,505	+2,120
1975	+8,903	+18,277
1976	−9,483	+4,206
1977	−31,091	−14,514
1978	−33,966	−15,447
1979	−27,565	−967
1980	−25,512	+1,897
1981	−28,001	+6,292
1982	−36,469	−9,196
1983	−61,055	−41,562
1984*		−80,000

* Forecast.

Federal government Expenditure and Revenue

% change	1980	1981	1982	1983
Expenditure				
Total	18.1	14.5	10.9	8.1
Defence	17.3	17.4	16.5	11.7
Non defence purchases	16.6	14.2	5.4	−8.0
Transfer payments	20.2	14.0	12.0	7.6
Grants to local government	10.1	−0.9	−4.5	3.1
Net interest paid	26.0	37.0	16.1	13.6
Revenue				
Total	9.6	15.9	−1.5	4.4
Income taxes	11.6	16.2	1.8	−2.4
Corporate profits taxes	−5.3	−4.0	−31.2	29.9
Social security contributions	9.0	17.0	6.6	7.6
GNP, current $	8.9	12.3	4.0	7.7
Deficit US$bn		−57.9	−110.6	−195.4

Source: Dept of Commerce

The Federal deficit and its Financing

% of GNP	1980	1981	1982	1983
Federal deficit	2.3	2.1	4.8	5.5
= Net private saving	5.4	8.1	6.3	5.5
+ State and local surplus	1.2	1.2	1.0	1.5
+ Foreign capital inflow	−0.2	−0.1	0.3	1.1
− Net domestic investment	4.1	4.8	1.8	2.5

Source: Simon & Coates

Energy Consumption

% of total	Coal	Natural gas	Petroleum	Other*
1975	17.8	28.3	46.5	7.3
1976	18.3	27.5	47.3	7.1
1977	18.1	18.1	48.7	6.9
1978	17.5	17.5	48.8	8.2
1979	19.0	26.2	47.0	7.8
1980	20.2	26.9	45.0	7.7
1981	21.4	26.9	43.2	8.4
1982	21.5	26.1	42.7	8.7
1983	22.4	24.8	42.5	10.2
1984 (1st qtr)	21.3	30.1	38.8	9.8

* Incl. nuclear & hydroelectricity.

Source: U.S. Dept of Energy

U.S. Credit Demands

% of GNP	Total	Federal govt.	State & local govt.	Private sector
1958-9	10.9	2.0	1.2	7.6
1961-2	10.3	2.2	1.1	7.0
1970-1	14.3	2.9	1.6	9.8
1975-6	15.1	6.3	1.0	7.8
1980-1	17.4	4.7	0.5	12.2
1983	18.6	7.7	1.3	9.6
1983 1st half	18.3	9.3	1.9	7.1
1983 2nd half	19.0	6.2	0.8	12.8

Source: Simon & Coates

U.S. Balances of Trade

US$bn (Seasonally adjusted at annual rate)

	1980	1983	Jan-Apr 1984
Japan	−12.2	−21.9	−31.3
EEC	15.7	−1.8	−15.0
W. Germany	−1.3	−4.5	−9.1
UK	2.4	−2.3	−3.2
E. Asian NICs*	−4.1	−14.7	−10.4
All countries	−36.2	−16.9	−128.0

* Hong Kong, S. Korea, Singapore, Taiwan.

Source: Morgan Guaranty

The Throgmorton Trust
Interim Results

	Six Months to 31.5.84 £000	Six Months to 31.5.83 £000	Year end 30.11.83 £000
Revenue from Investments			
— Dividends and Interest Received	4,216	2,729	7,076
Other Revenue			
— Interest and Underwriting Commission	282	56	300
— Net Profit in dealing subsidiary	52	23	55
Gross Revenue	4,550	2,808	7,431
Less: Expenses and Interest	1,579	733	2,695
Net Revenue from ordinary activities before Taxation	2,971	2,075	4,736
Less: Taxation on net revenue from ordinary activities	951	642	1,712
Net Revenue from ordinary activities after Taxation	2,020	1,433	3,024
Earnings per Share	3.55p	3.30p	5.95p
Dividends			
Preference shares	38	38	76
Ordinary shares			
— Interim 2.75p (1983 – 2.75p)	1,535	1,162	1,162
— Final — (1983 – 3.75p)	—	—	2,092
Cost of Dividends	1,573	1,200	3,330
Net Revenue retained	447	233	(306)
Brought forward	839	1,145	1,145
Net Revenue retained and carried forward	1,286	1,378	839
Net Asset Value per share	222.4p	200.4p	211.3p

The figures for the six months to 31st May 1984 and 31st May 1983 are unaudited. The figures for the year to 30th November 1983 are abridged from the company's full accounts for that period which carry an unqualified auditor's report and have been filed with the Registrar of Companies.

During the accounting period ended 30th November 1983 the company issued 13,547,439 ordinary shares of 25p each and £19,118,645 12¾ per cent Debenture Stock 2010 in consideration for the acquisition of the balance of the issued share capital of The Pentland Investment Trust PLC not already owned by the company. At the same time Subscription Warrants 1984/93 were issued to existing ordinary shareholders in the proportion of one warrant for every eight ordinary shares held.

The first option period for the Subscription Warrants 1984/93 took place from 5th April to 4th May 1984. During this period warrants were exercised for 16,970 ordinary shares which were duly allotted, bringing the total number of ordinary shares in issue to 55,805,837.

The Board of Directors are pleased to declare an interim dividend of 2.75p per share (1983 – 2.75p) payable on 29th August 1984 to ordinary shareholders on the register at the close of business on 26th July 1984, and anticipate that the total dividend for the year will not be less than that paid last year.

Throgmorton Investment Management provides pension funds and other institutional clients with skilled investment management in a number of specialised areas with particular emphasis on the small companies sector. The success of our policy of specialisation in small companies is demonstrated by the performance of The Throgmorton Trust. For further information contact Paul Loach on 01-628 9022.

Throgmorton
Investment Management

To: S.M. Grantham Esq., Throgmorton Investment Management Limited
Royal London House, 22-25 Finsbury Square, London EC2A 1DS

Please send me a copy of the following Annual Report(s) (please tick as required)
- ☐ The Throgmorton Trust
- ☐ The New Throgmorton Trust (1983)
- ☐ The Throgmorton Secured Growth Trust

Name ______________________

Address ______________________

______________________ FT

ENTE NAZIONALE PER L'ENERGIA ELETTRICA

U.S. $100,000,000

Floating Rate Debentures due 1987

Convertible at the holders' option into

9½% Fixed Rate Debentures due 1995

Guaranteed by the Republic of Italy

In accordance with the provisions of the Debentures, notice is hereby given that for the six month Interest period from 6th July, 1984 to 7th January, 1985 the Debentures will carry an Interest Rate of 13 7/16 per cent per annum and that the interest payable on the relevant Interest Payment Date, 7th January, 1985 against Coupon No.9 will be U.S. $677.69.

The Bank of Tokyo, Ltd. London
Agent Bank

UK NEWS

Enterprise chief presses case for rejecting RTZ

BY IAN HARGREAVES AND STEFAN WAGSTYL

MR WILLIAM BELL, the chairman of the newly-privatised Enterprise Oil, has written to his company's shareholders advising them to reject a bid by Rio Tinto-Zinc (RTZ) to increase from 14.7 to 29.8 per cent its stake in Enterprise.

Mr Bell still plans to meet Sir Alistair Frame, chief executive of the mining and minerals company, however, on Wednesday or Thursday.

They will discuss, "whether any commercial opportunities exist which can be pursued in the interests of all our shareholders."

Yesterday Enterprise was playing down the attractions of any kind of merger with RTZ Oil and Gas, the RTZ subsidiary which looks after the company's North Sea interests.

Mr Graham Hearne, Enterprise's chief executive, said the company was looking at other possible deals which might prove more attractive.

"We have several deals in prospect and we shall be holding conversations with a number of companies at a senior executive level in the next few weeks," he said.

These discussions would take some time to produce action, he said. "The deals we have to do are complex and will take time to bring to fruition."

Mr Bell's pitch to Sir Alistair when they meet this week will be that it is in RTZ's best interest to allow Enterprise the maximum amount of freedom to assess these possible deals.

That, Sir Alistair will be told, would involve RTZ not insisting on a seat on the Enterprise board. This, Enterprise feels, would create hopeless conflicts of interest in an industry where secrets about oilfields are jealously guarded.

Enterprise's main hope, however, is that RTZ will be unsuccessful in its offer of up to 110p per partly paid Enterprise share, which closes tomorrow.

In bidding at this maximum price, Mr Bell's letter says, RTZ is attempting "to exploit the temporarily unsettled market conditions following the offer for sale.

"The price in no way reflects the value of the underlying assets of the company. Your board, its financial advisers and market commentators consider this to be significantly higher than RTZ's tender price." Last week, Enterprise partly paid shares traded in the 100p to 103p range.

Mr Bell says that on a fully paid basis, RTZ's tender offers a premium "of a mere 5 per cent."

Referring to other potential deals open to cash-rich Enterprise, Mr Bell says: "We do not need RTZ, whose oil and gas interests are significantly smaller, to enable us to realise our potential."

The question for the City of London today is whether shareholders, many of them underwriters left unwillingly with stock at the time of the flotation, will resist RTZ's offer.

Cautious optimism in pit talks

By David Brindle and Maurice Samuelson

TALKS BETWEEN the National Coal Board (NCB) and mineworkers' leaders resume today in a mood of guarded optimism as the coalfield strikes enter their 18th week.

With the National Union of Mineworkers (NUM) holding a special delegates' conference in Sheffield on Wednesday and Thursday, the next 48 hours are crucial in determining whether the dispute will end soon.

Neither side has revealed any details about the present talks, which began on Thursday and adjourned on Friday. Speculation is that negotiations have centred on a new definition for an unworkable – as opposed to uneconomic – coalmine.

Two developments at the weekend indicated that the dispute still had the capacity to spill over into other sectors of the economy.

In the first the prospect of disruption of national newspapers re-emerged in the form of a letter received by some editors from Mr Arthur Scargill, the mineworkers' president.

The letter says that £500,000 of taxpayers' money has been spent by the NCB in arguing its case in a series of newspaper advertisements. Mr Scargill seeks a right of reply and the implication is that his union could not afford to pay for the advertisements.

In the second development, dockworkers have called an emergency meeting for today to discuss a dispute at Immingham Docks over the movement of iron ore by road

Whitehall studies jobs code

By Our Labour Staff

THE GOVERNMENT is examining a confidential draft code of practice on sex discrimination at work.

The code requires employers to take positive action to move women into all-male areas of employment; to assist women to find work while raising children; and to bring pay

More UK news on Pages 13, 14

and conditions of part-time, mainly female workers, into line with full-time workers.

The code which has been prepared by the Equal Opportunities Commission (EOC) and is intended to be administered by it, has been awaiting Government approval since April. It is based on the 1975 sex discrimination Act and its provisions will be admissible in evidence at industrial tribunals and employment appeals tribunals.

Some of the draft code's provisions – as on part-time workers and on women returning to the labour force soon after childbearing – run against the spirit, if not the letter, of the Government's views on the need to make the labour market as flexible as possible and on the importance of the family. The EOC and its companion body the Commission for Racial Equality (which issued a code in April) are presently under Government review.

NEW ISSUE July 5, 1984

FannieMae

$1,000,000,000
13.65% Debentures

Dated July 10, 1984 — Due August 10, 1987
Series SM-1987-U — Cusip No. 313586 QS 1
Non-Callable

Price 100%

The debentures are the obligations of the Federal National Mortgage Association, a corporation organized and existing under the laws of the United States, and are issued under the authority contained in Section 304(b) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 et seq.).

This offering is made by the Federal National Mortgage Association through its Senior Vice President-Finance and Treasurer with the assistance of a nationwide Selling Group of recognized dealers in securities.

Debentures will be available in *Book-Entry* form only. There will be no definitive securities offered.

John J. Meehan
Senior Vice President-Finance and Treasurer

Joseph G. Brown
Vice President-Fiscal Office

100 Wall Street, New York, N.Y. 10005

This announcement appears as a matter of record only.

VOEST-ALPINE AG: We strike a balance

1983 Annual Report of VOEST-ALPINE AG

A hard year for steel manufacturers

At the start of 1983 the steel industry was at the deepest point of a crisis which had persisted for several years.
The upswing in the economy felt throughout the world, in particular toward the end of the year, was mainly restricted to the consumer goods industry and had hardly any noticeable impact on investment goods. This made 1983 one of the worst years for European steel makers since the economic recession of 1975, as well as for the forging, casting and machine construction sectors.

The VOEST-ALPINE Group

Group turnover exceeds US $ 6 billion for the first time

World-wide total sales of the VOEST-ALPINE Group in 1983 achieved a new record level of US $ 6,622 million.

In comparison with 1982 this represented a growth of US $ 1,583 million, or about 31 percent. After deducting the inter-group sales, consolidated group sales came to US $ 5,778 million, around 37 percent up on the previous year.

In 1983 about a third of Group sales were accounted for by products and services which had only been incorporated into the program during the last preceeding five years. The strongest boosts to growth came from the younger sectors of the company, the trading sector, engineering/contracting and services.

Significant expansion in international trade pushed sales in this sector up by more than 100 percent over the previous year (plus US $ 1,355 million), while a rise of about 24 percent (plus US $ 250 million) was achieved in the engineering/contracting and services sector. This satisfying development was a clear indication of the planned introduction in previous years of measures towards an adaptation of the company structure and in particular of the successful efforts to diversify.

US $ 222 million invested

After the successful completion in 1981 and 1982 of a number of important major restructuring projects, the companies in the VOEST-ALPINE Group instituted investments in 1983 amounting to US $ 222 million.

Downward trend in level of employees continues

As of December 31 1983, the VOEST-ALPINE Group had 72,288 employees world-wide (a drop of around 4 percent on 1982).

The VOEST-ALPINE AG

Total sales of US $ 2,704 million achieved

During the fiscal year 1983 the sales of the VOEST-ALPINE AG reached a new peak of US $ 2,704 million (plus US $ 181 million, up 7 percent in comparison with 1982).

This rise in sales can be attributed above all to the growth of the engineering/contracting and services sector, which attained its highest-ever annual turnover, US $ 1,107 million.

In metallurgical products, too, despite sales restrictions in the EEC area, the winning of new markets in Africa and Asia led to sales increases of about 4 percent, rising to US $ 1,133 million.

The continuing world crisis in the machine construction industry, together with the difficult situation in the forging and casting sector, also led to declines in sales at the VOEST-ALPINE AG. Particularly in the finished products sector and in metallurgical manufactured products.

The fact that exports accounted for 72 percent of company turnover not only proves VOEST-ALPINE's international capability, but also underlines once again its importance for the Austrian balance of trade.

Slight downward trend in the number of employees

As of December 31 1983, VOEST-ALPINE AG employed a total staff of 39,179 (856 fewer than in the previous year). This corresponds to a drop of slightly over 2 percent.

Profitability picture still depressed

The extremely limited expectations concerning a marked economic revival that were evident at the beginning of 1983 have unfortunately proved to be correct.

The continuingly depressed price situation for metallurgical products and products from metallurgical manufacturing also detrimentally effected the results of these sectors during the past fiscal year.
In addition to this, the effects of the crisis in the finished products industry could only be partially offset by the development of new and technically more sophisticated products.

The profit picture in the engineering/contracting and service sector, on the other hand, was satisfactory. Despite the fact that the strong international competition in this sector no longer allowed for wide margins, appropriately positive results could nevertheless be achieved.

The start-up costs associated with the commissioning of new manufacturing facilities have imposed a further load on the results for this financial year, which were already strongly influenced by the difficult market situation.
Therefore, 1983 saw a loss of US $ 144 million, which after taking account of the US $ 142 million supplied to the company by the Österreichische Industrieverwaltungs-AG for the purposes of structural improvements, gave a net loss of US $ 2 million as shown in the balance sheet. Including the US $ 26 million loss brought forward from previous years, a net loss of US $ 28 million is to be carried forward.

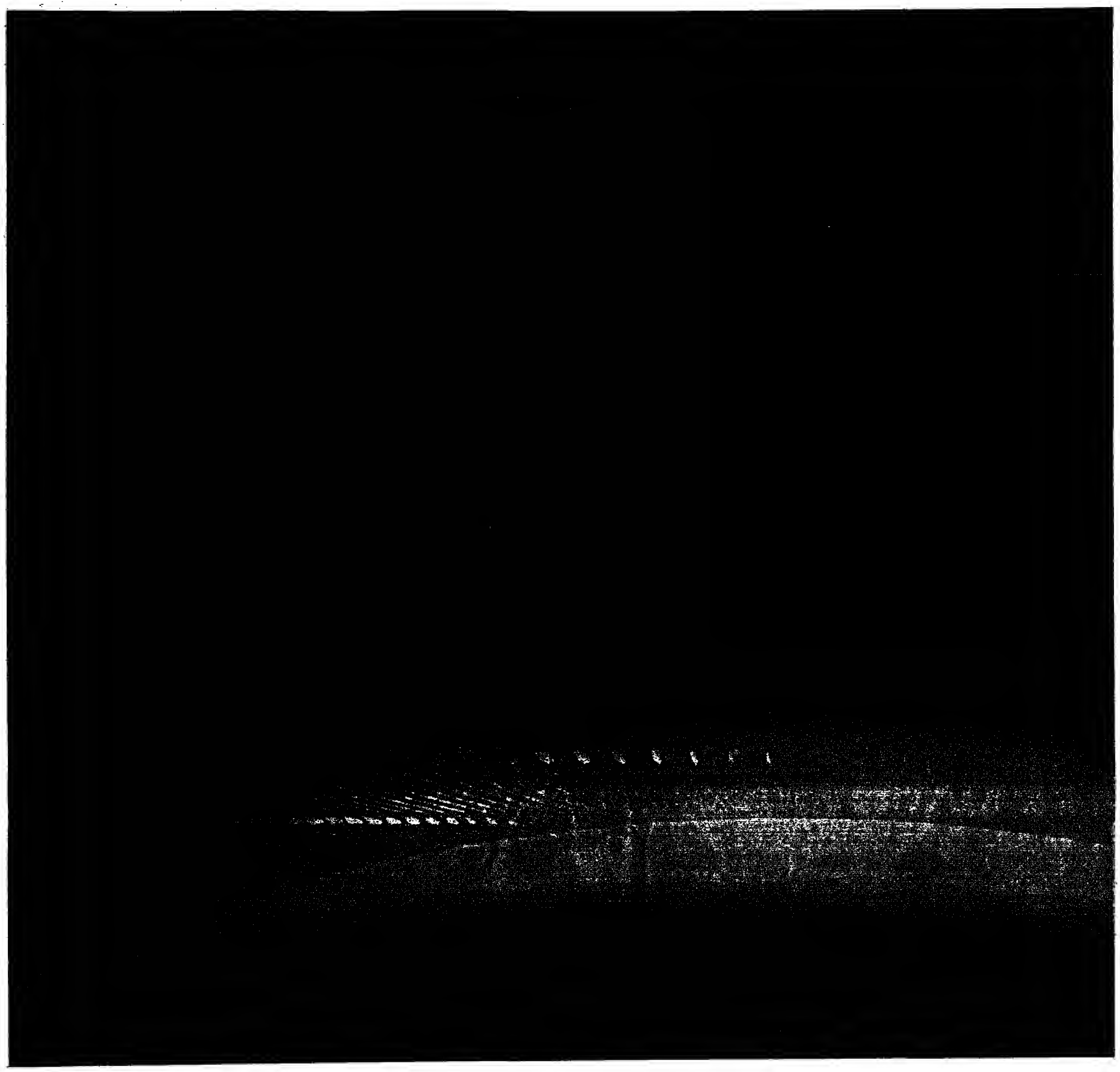
Improved outlook for 1984

The impulses provided by a generally more lively economy, the strong position it holds in the traditional product groups and the sustained growth of the new divisions, all entitle the VOEST-ALPINE Group to look forward to 1984 with optimism.

VOEST-ALPINE AG
P.O.B. 2, A-4010 Linz / Austria

tel. 0 732 / 585-1, telex 2207 va a
cables: Voestalpine Linzdonau

VOEST-ALPINE



Company Notices

SAMSUNG SEMICONDUCTOR & TELECOMMUNICATIONS COMPANY LIMITED

US$30,000,000

Floating Rate Notes Due 1994

Guaranteed By

SAMSUNG ELECTRONICS COMPANY LIMITED

For the six months from 6th July, 1984 to 7th January, 1985 the notes will carry an interest rate of 13³⁄₁₆% per annum. The interest payable on the relevant interest payment date 7th January, 1985 will be US$6,776.91 per US$100,000 note.

Agent Bank
CHEMICAL BANK

OMRON TATEISI ELECTRONICS CO.

Advice has been received from Tokyo that payment of a Cash Dividend of Yen 5.50 per share has been made for the six months period ending 31st March 1984.

The dividend will be payable in United States Dollars (except to residents of the United Kingdom) and will amount to $0.1146 per Depositary share before deduction of any Japanese Withholding Tax.

RESIDENTS OF THE UNITED KINGDOM will receive payment in sterling converted at the rate of exchange ruling on the day of presentation of the coupons.

RESIDENTS OF THE FOLLOWING COUNTRIES who are subject to deduction of Japanese Withholding Tax at the reduced rate of 15%, will receive a net dividend of $0.0974 per Depositary share after deduction of Withholding Tax amounting to $0.0172: Australia, Belgium, Canada, Denmark, Finland, France, The Federal Republic of Germany, Italy, Malaysia, The Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, The United States of America.

RESIDENTS OF ALL OTHER COUNTRIES (EXCLUDING THE REPUBLIC OF KOREA) who are subject to deduction of Japanese Withholding Tax at the full rate of 20% will receive a net dividend of $0.0917 per Depositary share, after deduction of Withholding Tax amounting to $0.0229.

RESIDENTS OF THE REPUBLIC OF KOREA who are subject to deduction of Japanese Withholding Tax at the reduced rate of 12% will receive a net dividend of $0.1009 per Depositary share after deduction of Withholding Tax amounting to $0.0137.

To obtain payment under deduction of Japanese Withholding Tax at a reduced rate, the Coupons must be accompanied by an affidavit of residence approved by the Japanese Ministry of Finance. Forms of affidavit are available at any of the offices listed below. In the absence of such affidavit Coupons will be paid under deduction of Withholding Tax at the full rate of 20%.

Attention is drawn to the fact that the aforementioned concessions relating to Japanese Withholding Tax apply only to coupons presented for payment within five months of the record date, i.e. 31st March 1980. Thereafter, tax will be deducted at the full rate of 20%, and it will be the responsibility of the owner to claim from the Japanese Tax Authorities any refund to which he is entitled.

HOLDERS OF BEARER DEPOSITARY RECEIPTS (B.D.Rs.) wishing to claim this dividend should present Coupon No. 40 at the Offices of any of the following:

Hill Samuel & Co. Limited,
45, Beech Street,
London EC2P 2LX.
(Where lodgement forms are available.)
Kredietbank S.A. Luxembourgeoise,
43, Boulevard Royale,
Luxembourg.
Bank of Tokyo Limited,
4-8, Rue Sainte-Anne,
Paris 1, France.
Bank of Tokyo Limited,
Immermannstrasse 43,
4000, Dusseldorf, 1,
Federal Republic of Germany.
Bank of Tokyo Limited,
Avenue des Arts 47-49,
1040, Brussels,
Belgium.
Bank of Tokyo Limited,
Sutherland House,
3, Chater Road,
Hong Kong.
Bank of Tokyo Trust Co.,
100, Broadway,
New York,
U.S.A.

In the case of Coupons presented for payment in London, United Kingdom Tax will be deducted from the proceeds unless accompanied by an Inland Revenue Affidavit of Non-Residence.

Hill Samuel & Co. Limited,
45, Beech Street,
London EC2P 2LX.

THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY *OF THE* KINGDOM OF DENMARK

£50,000,000 GUARANTEED FLOATING RATE NOTES DUE 1994, SERIES 91 UNCONDITIONALLY GUARANTEED BY THE KINGDOM OF DENMARK

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three months interest period from 5th July, 1984 the Notes will carry a rate of interest of 9¹¹⁄₁₆% per annum. The relevant Interest Payment Date will be 5th October, 1984. The Coupon Amount per £5,000 will be £124.90 payable against surrender of Coupon No: 3.

Hambros Bank Limited
Agent Bank

NOTICE TO SHAREHOLDERS COMPAGNIE FRANCAISE DES PETROLES

PAYMENT OF DIVIDEND

The Annual General Meeting of Shareholders held on June 29th, 1984 has set the 1983 dividend at F18 payable as from July 6th, 1984. Residents of the United Kingdom will receive, in exchange for Coupon No. 82, an amount of F20.40. Payment of the above amount will be selected upon presentation of the Coupon and completion of form RF4GB according to the terms of the double tax convention between France and Great Britain. However, as concerns securities deposited in banks established in France or in the United Kingdom, this form can be deposited at any time up to December 31st of the year following collection of the Coupons. The Coupons should be lodged with Banque Paribas, 33 Throgmorton Street, London EC2N 2BA, where appropriate claim forms and further information can be obtained. Payment in respect of Coupons will be subject to a deduction of UK income tax unless claims are accompanied by an affidavit. The exchange rate used will be that effective on the date of each payment.

LEUMI INTERNATIONAL INVESTMENTS N.V.

U.S.$20 MILLION GUARANTEED FLOATING RATE NOTES 1987 SERIES "B"

The interest rate applicable to the above Notes in respect of the three month period commencing the 6th July 1984 has been fixed at 12¹³⁄₁₆% per annum. The interest amounting to U.S.$33.15 per U.S.$1,000 principal amount of the Notes will be paid on Tuesday 9th October 1984 against presentation of Coupon No. 15.

BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent

BARCLAYS BANK PLC

NOTICE IS HEREBY GIVEN that the Board of Directors of Barclays Bank PLC will meet on Thursday, 2nd August 1984, to consider the payment of an Interim Dividend.

J. M. D. ATTERBURY
Secretary

54 Lombard Street
London EC3
6th July 1984

SAVE & PROSPER FINANCIAL SECURITIES FUND

Coupon 126 falls due for payment on 15th July 1984 at a rate of 0.62p per Financial Securities Fund Unit. Coupons should be presented to the Royal Bank of Scotland PLC, Lombard Street Office, P.O. Box 412, 34 Lombard Street, London EC3P 3DE, from whom listing forms can be obtained. Coupons must be lodged by an authorised depositary and left three days for examination.

Contracts & Tenders

WANDSWORTH BOROUGH COUNCIL

REMEDIAL WORK TO HEATING INSTALLATIONS AND ASBESTOS REMOVAL AT THE ALTON ESTATE, LONDON, S.W.15

Heating contractors wishing to be considered for selection to tender for carrying out the following works at Alton Estate, Roehampton, London, SW15, should submit names to the Director of Administration, Room 111, The Town Hall, Wandsworth High Street, London, SW18 2PU by 27th July 1984.

The works will include:

(i) dismantling existing purpose-built convectors, removing asbestos-bearing materials and fitting asbestos-free substitute materials, pipework modifications and the re-assembly of the convectors in 1,122 occupied dwellings (five blocks of eleven storeys and seventeen blocks of twelve storeys);

(ii) renewing pumps and automatic controls in twenty-two district heating plant rooms, including the removal of asbestos-bearing insulation and the provision of asbestos-free insulation of the systems in seventeen of the blocks.

Applicants must be recognised firms of heating engineers with experience of maintenance work on district heating systems. The asbestos removal work, which may be sub-contracted, must be undertaken by specialists licensed to operate at the standards required by the Health and Safety Executive in England as from 1st August 1984.

Applicants must submit details of labour, technical and supervisory staff available, together with names and addresses of two technical and two financial referees unless this information has already been provided for a heating contract within the last twelve months.

It is anticipated that tenders will be invited in autumn 1984 and that the works will start in early 1985 and be completed within six months.

Tenderers will be required to bid for the work in two halves, and may also bid to undertake the whole if they have sufficient resources to comply with the programme.

The engineering consultancy service will be provided by Messrs. John F. Herley and Partners, Stratamore House, 31-33 High Street, Carshalton, Surrey, under the direction of R. Caild, R.I.B.A., Borough Architect, The Town Hall, Wandsworth High Street, London, SW18 2PU.

SYRIAN ARAB REPUBLIC

PUBLIC ESTABLISHMENT OF ELECTRICITY FINANCIAL DIRECTORATE — EXTERNAL CONTRACT SECTION

Extension of the closing date of Tender No. 1529

Following our advertisement of the call tender No. 1529 for the supply and installation substation 230/400 KV which is mentioned in the daily official Bulletin No. 46/7 dated 1.1.1984. The closing date for presenting the offer is extended until Saturday 4.8.1984. We draw your kind attention that we could accept another alternative for operating the Engine Breaker that is the operating by (pneumatic).

THE GENERA LDIRECTOR DF PEE. ENG. R. IORISS

Art Galleries

AGNEW GALLERY, 43, Old Bond St., W1. 01-629 6176. THE HEROIC AGE: Important British Landscapes and Portraits. 1850-1850. Until 3 August. Mon.-Fri. 9.30-5.30; Thurs. until 7.

BROWSE & DARBY, 19, Cork St., W1. 01-734 7984. BRITISH & FRENCH EXHIBITION, 1870-1950.

THACKERAY GALLERY, 18, Thackeray St., W8. 01-937 5883. MIXED SUMMER EXHIBITION Part II. Featuring NICHOLAS BARNHAM — Watercolours. Until 28 July.

LUMLEY CAZALET, 24, Davies St., W1. 01-499 5058. 50 FINE PRINTS — Pissaro to Hockney. Until 27 July.

MATTHIESEN, 7-8, Mason's Yard, Duke St., St. James's, SW1. 01-930 2437. SCHOOL OF FERRARA 1450-1628. Until 14 August. Mon.-Fri. 10-5.30; Sats. 10-12.30.

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St. 01-734 0557.

RAMON'S NIGHTCLUB RESTAURANT, 42, Dean Street, W1. Where today's businessman can relax and enjoy an exciting evening. Various cabaret acts throughout. Charming and discreet dancing partners available. Open nightly 9 pm to 3 am. 01-437 9455.

Personal

SPEAKERS, are you looking for a first class speaker for your annual banquet, ladies' luncheon club, literary society, prize giving or any event? Foyles Lecture Agency, over one hundred years old, offers the best in lecturers and entertainers. Write for list of speakers to Foyles Lecture Agency, 119 Charing Cross Road, London WC2.

CLASSIFIED ADVERTISEMENT RATES

	Per line Minimum 3 lines	Single column cm Minimum 3 cms
Commercial and Industrial Property	9.50	33.00
Residential Property	7.50	25.00
Appointments	10.00	34.50
Business, Investment Opportunities, Business for Sale/Wanted	9.50	33.00
Personal	7.50	25.00
Motor Cars	7.50	25.00
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APPOINTMENTS

Group chief executive for Norcros

Mr Terence Simpson, formerly managing director—international, has been appointed group chief executive of NORCROS. He joined Norcros in 1968 and went on the board as finance director in 1977. He was appointed managing director — international three years ago. Dr Ian Parkins, formerly chief executive of the ceramics division, becomes chairman of Norcros Industry (International), and as such will oversee the Group's International operations.

He joined Norcros in 1968, becoming managing director of Dow-Mac Concrete four years later. In 1977 he was appointed a divisional chief executive.

Mr W. P. N. Graham, formerly chief executive of the construction and print and packaging divisions, assumes responsibility for the ceramics division. Mr Richard Watson, formerly managing director of Crittall Windows, has been appointed chief executive of the construction division and joins the board of Norcros Industry (EEC). Mr Michael Derbyshire, formerly managing director of Payne Packaging, has been appointed chief executive of the print and packaging division and joins the board of Norcros Industry (EEC).

Mr Terry Simpson, group chief executive of Norcros

*

Mr S. J. Kilby has been appointed group managing director of THE LILLESHALL COMPANY. Mr A. F. Hanson has become company secretary. Mr J. G. Price, former chief executive, and Mr B. N. Walton, finance director and former company secretary, have retired from the board.

*

Mr D. G. F. Thompson has been appointed deputy managing director of THE WOLVERHAMPTON AND DUDLEY BREWERIES. Mr P. A. Robertshaw has been appointed production director in succession to Mr B. C. Clubb, who is retiring at the end of August.

*

Mr Chris Robinson, who was head of the commercial department of the Industrial Society, has been appointed a director of CLARK WHITEHILL CONSULTANTS. Most recently he has been principal of the Trustee Savings Bank residential training centre.

*

Mr Christopher Penn has been appointed director of management resources for the PEARSON GROUP. He joins from the flexible packaging industry where he worked from 1963 until the present, latterly as director of the conversion division of UCB whose head office is in Brussels.

*

SCHRODER INTERNATIONAL has appointed Mr P. Hargreaves-Allen and Mr P. C. Robinson as directors. J. Henry Schroder Wagg and Co. has appointed Mr C. J. Cairns, Mr D. A. Cameron, Mr R. Lis, Mr K. M. Niven, Mr J. R. Reynolds and Mr F. R. Sadleir as directors; and Mr P. L. Banner, Mr J. R. Burnham, Miss J. Chisholm, Mr D. P. Garratt, Mr P. Gillman, Mr A. N. J. Hay, Mr B. C. Hillard, Mr P. A. Le Roux, Mr A. J. H. Reed and Mr P. N. Sauvary as assistant directors.

*

Mr S. M. de Bartolomé, chairman, has retired from the boards of the THE WAGON FINANCE CORP and all its subsidiaries. Mr J. Chopping, joint managing director, was appointed executive chairman, and Mr J. O. Skelton, joint managing director, was appointed sole managing director and deputy chairman of the company and all its subsidiaries. Mr A. J. Coombe becomes a director of the company and deputy managing director of all its subsidiaries.

*

Mr David Courtnall Marshall, a director of each of the following companies, was elected chairman in place of his father, Mr Norman Hugh Marshall, who died recently. Mr David Marshall is now chairman of Afex Corp, East Rand Consolidated, The Ex-Lands, Gold and Base Metal Mines, The Kwahu Company, N. M. C. Investments, and Western Selection.

*

Mr S. H. Denby (finance), and Mr M. J. Earp (administration), both directors of W. and F. S. Bonham and Sons, have been appointed to the board of its parent company MONTPELIER PROPERTIES.

*

Mr R. T. Gardiner-Hill has been appointed chairman of SCRUTTONS to succeed Mr P. Ewen, who is retiring, and will combine the chairmanship with his present responsibilities as chief executive. Sir Percy Rugg is also retiring and Mr M. C. Robinson has been appointed a director. Mr F. G. Major has been appointed UK operations manager. Mr A. D. Blackstock has been appointed managing director and Mr E. MacFarlane a director of Scruttons International Transport and Engineering Services.

*

Mr Hugh Thomson and Mr David Llewellyn have joined the board of REXEL. Mr Thomson becomes operations director from general administration manager. Mr Llewellyn becomes director/general manager of the Cumberland Pencil Company, a Rexel subsidiary, having been works director.

*

Mr Denis Bell has been appointed a UK director of ANGLO UNITED DEVELOPMENT CORP, a Canadian company whose shares are listed on the Toronto Stock Exchange. Mr Bell has been associated with Anglo since 1982 when it acquired Coal Contractors Holdings Inc and subsequently Coal Contractors, the businesses which form the basis of its present opencast coal mining activities.

*

Mr John G. Butland has been appointed a director of LONDON SHOP PROPERTY TRUST.

*

Mr Richard Kiln has been appointed data processing director of ABC TRAVEL GUIDES, a division of Reed Telepublishing. He joins ABC from the board of Thomson Holidays, where he was datacentre director.

*

Mr George Davies, managing director of Hepworths Retail and managing director of "next," has been appointed group joint managing director of J. HEPWORTH & SON. He has assumed joint responsibility for the group with Mr Jeff Rowlay who is the present managing director. Mr Rowlay is to retire on December 31 and on January 1 Mr Davies will assume the title of chief executive.

*

With the regrouping of BECK & POLLITZER'S engineering companies Mr Michael Futter has been appointed operations director and Mr Ken Hayward sales director of Beck & Pollitzer Engineering. Mr Futter and Mr Hayward were respectively managing directors of Becks Industrial Contracts and Beck & Pollitzer, Manchester. Both these companies have been merged with Beck & Pollitzer Engineering for which Mr Michael Stone remains as managing director. Beck & Pollitzer Engineering is a subsidiary of Transport Development Group.

*

YULE CATTO has appointed Mr Annesley Keown as group chief executive in addition to his role as vice-chairman. Mr K. W. Bushell is also appointed additional vice-chairman. Mr John Duckett and Mr Alan Scott are appointed associate directors.

*

Mr John Kaiser, who has been with H. R. OWEN for seven years, latterly as director and general manager of the South Kensington branch, has now been appointed managing director. He succeeds Mr Peter Reynolds who retains his position as executive chairman. Mr Kaiser will be responsible for the operation of Owen's four London branches and will report to Mr Reynolds in respect of the sales, service, parts and forecourt activities of the branches which are enfranchised for Rolls-Royce and Bentley, Jaguar and Daimler, Ferrari, Range Rover and Lancia.

*

Mr R. J. Thomson has been appointed a director of MASSTOR SYSTEMS INTERNATIONAL. Mr Thomson has spent more than 40 years in the electronics industry and was a director of NCR UK immediately prior to his retirement.

*

TRIUMPH ADLER UK has appointed Mr Bernhard Kotarski, formerly with the parent company, as managing director.

*

Following the acquisition of Royal Worcester, Mr Charles K. Howe, who is already group chief executive and managing director of CRYSTALATE HOLDINGS, becomes chairman of its Greendale and Osborne operations to add to his existing responsibilities for A. P. Besson, Ebonestos Industries and the French subsidiary GCIE of Tournan. Mr John E. Herrin is appointed a group managing director and remains responsible for the operations of Welwyn Electronics. At Crystalate Electronics Mr E. A. Maddison becomes a director and group marketing manager and Dr P. L. Kirby becomes director of research. Mr A. J. King becomes a director and remains group personnel and administration manager. Mrs K. P. O'Sullivan becomes a director and remains group accountant.

*

CENTRAL INDEPENDENT TELEVISION has appointed Mr Dick Emery as director of sales. Sales controller of TVS for the past 18 months, he succeeds Mr Peter Mears, who died earlier this year. Mr Emery will join the main board of Central when he takes up his appointment in early August.

TECHNOLOGY

EDITED BY ALAN CANE

AT & T AND OLIVETTI LINK HANDS ON SOFTWARE

Unix: Bell Labs' passport to freedom

BY GEOFFREY CHARLISH

POWERED BY the self-generated success of the computer operating system, Unix, AT & T and Olivetti have jointly launched a new company called Unix Europe.

It is headed by 41-year-old Vanni Papi, who comes from Digital Equipment (DEC), where he had been managing the large accounts unit. The aim, in the words of Elserino Piol, executive vice-president of Olivetti, is "to promote Unix in Europe as the market standard in the software field."

He believes that Unix, as a European standard: "may offer an interesting opportunity to the whole European information technology industry"—even to the extent of altering the present relative positions of strength of the various majors in the field.

Unix was invented in Bell Laboratories in the mid-1970s and was designed from the start as a multi-user multi-tasking operating system for use in AT & T, capable of being used on computers from many different makers. Written in the high level language "C," Unix System 5 is easily "transported" from one maker's hardware to another, from micros to mainframes.

This portability gives end users considerable flexibility in selecting new hardware, allowing them to take advantage of the rapid advances in computer technology without jeopardising existing software investment.

For these reasons, Unix in its earlier version 3 has already been very successful. Jack Scanlon, vice-president of AT & T's computer systems division, estimates that some 90,000 computers from 80 different computer companies are running Unix systems. In addition, over 300 applications packages have been written by about 90 software houses—up by a factor of six compared with 1982.

Of greater significance may be the fact that 750 universities, of which 240 are in Europe, have been licensed to use it. "This means," says Scanlon, "that the great majority of the computer science graduates around the world have been exposed to Unix as part of their education." He saw this as "highly relevant" to the rate at which it is now being accepted into the commercial sector.

The facts prove the point. In 1981 there were only 200 users and 70 per cent of them were in universities. This year, the user count will rise to 8,000, but 90 per cent will be commercial.

Within another three years, Scanlon believes that the European market will have risen to 90,000 users, representing an investment of over $500m — a ten-fold increase over 1984.

One reason for the appearance of Unix Europe is that until the split-up of AT & T in the U.S., the company was not permitted under anti-trust rulings to market software direct. Now, in conjunction with Olivetti (in which it has a 25 per cent interest), the corporation clearly intends to exploit the software to the maximum. Unix Europe however, will operate quite independently of both companies.

It will employ only 15 people to start with although Scanlon expects this to grow. It is the first company to be formally set up under the recent co-operative agreements between AT & T and Olivetti.

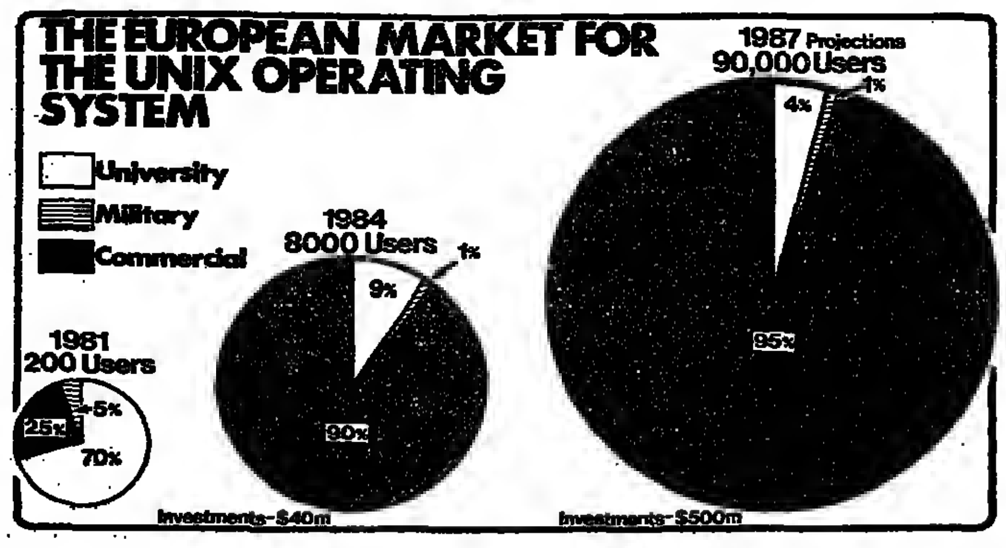
In addition, an undisclosed number of "accredited" software companies will be appointed that will offer service and support for the software throughout Europe.

It is understood that present licensing agreements for the earlier System 3 Unix will be re-negotiated on favourable terms to users, but that from now on all licencing in Europe will be through the new company.

The company promises that new releases of Unix will be made simultaneously in the U.S. and Europe — there will be no "transatlantic delay."

The first licencing of code will start on July 16th and the company is scheduled to be in full operation with technical support (installation, maintenance, consultancy), training and software library facilities for System 5 by September, at any rate for larger customers. The network of accredited companies that will look after smaller customers is expected to be in place by March of next year.

Vanni Papi summed up the company's view of what Unix Europe means. He said computer users could now look forward to "freedom from slavery of the established computer makers."



'A disruptive force in the industry'

A REPORT from New York stockbrokers Paine Webber Mitchell Hutchins, says the growing acceptance of Unix is likely to be a major disruptive force in the minicomputer and supermicro industries next year.

There is a prospect, says Mr Stephen Smith of Paines, that Unix will provide IBM with an opportunity to repeat the success it has had with its personal computer, "this time with a supermicro aimed at the low end of the minicomputer industry—an area where IBM has historically had little success."

A constraint on the acceptance of Unix has been the rather slow flow of applications programs from the software houses. They have been preoccupied with providing programs for the IBM PC.

By January this year, however a hundred hardware vendors had endorsed Unix in the U.S. and there are likely to be Unix-oriented hardware offerings from IBM and AT&T *during this year.*

Smith asserts: "Unix changes the rules of the game. No longer can vendors rely on their existing customers for repeat business. Unix frees computer users from becoming locked in to the proprietary hardware and software of a single vendor."

Hardware price will be increasingly significant as Unix becomes a standard. A few low cost vendors will ultimately dominate the Unix market says Smith. He thinks that vendors with other operating systems *but a small* installed hardware base will find it increasingly difficult to persuade software houses to develop programs.

Why Unix is set to alter the computer world

UNLIKE CP/M and MS-DOS, the most popular operating systems for 8-bit (Apple 11, for example) and 16-bit (ACT Apricot) computers, which are essentially simple, Unix is the most sophisticated operating system for 16-bit and 32-bit computers currently available.

It is mutti-tasking, dynamic memory managed and allows applications programs to start *new tasks, to communicate* with other tasks and controls its memory alocation within the bounds set by the system.

It makes possible very powerful applications programs.

***Academies using Digital* Equipment minicomputers recognised its value more than 10 years ago, but it was not until the present generation of very powerful microprocessors that it could be applied to business microcomputing.**

It provides a hierarchical file structure that provides security — access to the system has to have clearance —and date stamping.

From the user's viewpoint, the most powerful aspect of Unix is a command processing *program called the "shell."*

This makes it possible for the user to accomplish the functions of many commands with a single command. The trade off for all this "user friendly" power is the amount of processing power it ties up —*so Unix is* slow on medium-powered machines.

It is written in "C," a general purpose computer language. Unix and all its applications are written in C and it is easy to transport the software from computer to computer because only a small portion of Unix needs to be tailored to the needs of a particular design of microprocessor.

Again, the trade off is that the systems takes substantial amounts of processor power to give a good response to its *users—but with high powered* mocroprocessors like the Motorola 68000 family, this constraint is not significant.

U.S. consortium plans smart eyes in space

By PETER MARSH

A SYSTEM of programmable remote-sensing satellites that scan the earth in up to 32 spectral bands could be in operation by the end of the decade.

People who require data from the vehicles, for example to monitor the growth of crops or spot minerals deposits, would instruct the spacecraft in advance to look at the earth in specific spectral regions, in this way maximising the sensitivity of the hardware.

The satellites have been proposed by an American consortium called EOSAT, one of two groups that the U.S. Government is evaluating as contenders to take over the Landsat remote-sensing system.

Landsat started in 1972, operated initially by the National Aeronautics and Space Adminstration and more recently by the National Oceanic and Atmospheric Administration. Engineers have put into orbit five Landsat satellites, the last two of which are still operating.

Over the past few years, the U.S. Government has become adamant that the system should be handed to the private sector to exploit. After lengthy discussions, the Department of Commerce announced last week that it has narrowed down the list of candidates to two—EOSAT, in which the main partners are Hughes and RCA, and a consortium led by Eastman Kodak.

The department will continue negotiations during the summer and pick the winning contender probably by October. The main issue at stake is financial. Neither consortium is likely to want to fund further developments in Landsat without such support from the Government.

Another dilemma is the basis on which data from the remote-sensing satellites is sold to customers around the world. Hitherto, the U.S. Government has sold Landsat information (which takes the form either of photographs or of reels of computer tape) on a non-discriminatory basis to anyone who asks for it.

Companies or governments that buy the data are then free to do what they like with it, even sell the *information* to other parties. Whichever group operates the satellite network will probably insist, at the very least, on a system of copyright protection to prevent the pirating of data products.

The consortium that "wins" Landsat will take over the two operating satellites, ground stations (the chief one of which is at NASA's Goddard Space Flight Canter near Washington DC) plus voluminous files of information that the space vehicles have gathered since 1972.

Although it is estimated that the Government and private companies have spent more than $1bn on Landsat, accountants have valued the existing infrastructure at virtually nil on the basis that Landsat is not a commercial entity but little more than a research project.

Of the two consortia, EOSAT has been the more forthcoming about how *it aims* to change matters. Besides Hughes and RCA, other members of the group are Computer Sciences Corporation (which would handle ground processing of data) and Earth Satellite Corporation, which plans to look after marketing.

EOSAT plans by the early 1990s to place in orbit four more satellites. The most advanced will have sensors called multiple linear arrays, Clusters of solid-state detectors that scan in 32 channels in the infrared and visible parts of the spectrum. In contrast, the thematic mapper, the most sophisticated sensor on the existing Landsat vehicles, looks at the earth in just seven channels.

Dr Charles Sheffield, vice president of Earth Satellite Corporation, argues that with the large number of spectral divisions, the consortium will be able to tailor its service to individual users. Customers who want data about specific kinds of vegetation, for example to check on a disease that affects a single crop, would thus order in advance the satellite to scan an area of the earth in a particular way.

Dr Sheffield says the group would spend "several million dollars" on the new satellite plus hardware for processing the data in earth stations. A large slice of investment would be in *building* up a *marketing* team. "Currently there is no sales department for Landsat and no product evaluation," says Dr Sheffield. "No one tries to advertise the product or find out what users want."

By the mid 1990s, Dr Sheffield thinks revenues from Landsat could come to some *$100m* a year. At present, the U.S. Government earns no more than a few million dollars annually from Landsat sales.

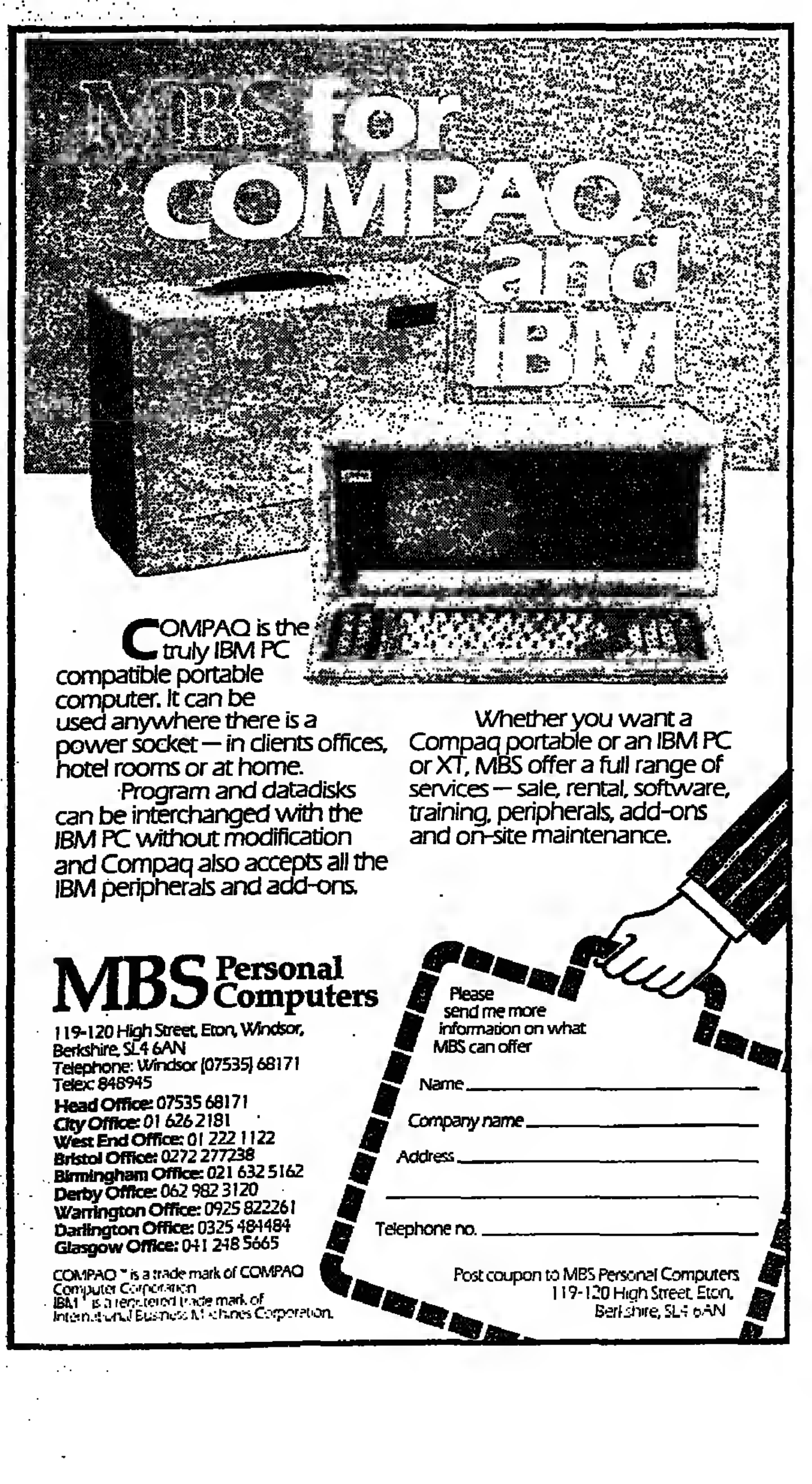
About a dozen foreign governments receive Landsat data with their own earth stations. They have to pay an annual fee of $600,000 plus a royalty based on the volume of information that they collect. An arrangement similar to this would continue if EOSAT were to win the approval of the Department of Commerce.

In contrast, Eastman Kodak has preferred not to discuss its plans publicly. It would base sensors for new satellites on its own research work in electronic imaging. Other members of the consortium are Fairchild (which would provide the spacecraft), TRW (ground operations) and the Environmental Research Institute of Michigan (a company affiliated with the University of Michigan, which would be responsible for marketing).

Whoever wins the Government's blessing will be spurred on by one important factor — the threat of foreign competition. Spot Image, a company partly financed by the French Government. plans next year to place in orbit the first of several remote-sensing satelittles and has formulated detailed plans to sell the data around the world.

Spot Image plans a total of four satellites. It will sell for about $1,000 a reel of tape containing data from an area of the earth measuring some 60 km square. Photographs from the spacecraft will pick out objects as little as 10 m across.

The revamped Landsat system will also face competition from two U.S. concerns. Space America, a consortium based near Washington DC, plans to launch satellites built by Ford Aerospace with sensors provided by Honeywell. Sparx of New York, meanwhile, aims to take pictures of the earth *from* a large free-flying platform called SPAS built by MBB of West Germany.



STOCK EXCHANGE BUSINESS IN JUNE

Miners' strike and interest rate fears put damper on business

STOCK EXCHANGE turnover in June contracted as investors became increasingly nervous about the effects of the prolonged mioers' dispule and the outlook for interest rales.

June contained 21 trading days—the same as May—but equity turnover still fell to its lowest level for six months.

London equity activity became more inhibiled as the month drew to a close with bigher interest rale prospecis and the imminent flotation of Enterprise Oil keeping investors at bay.

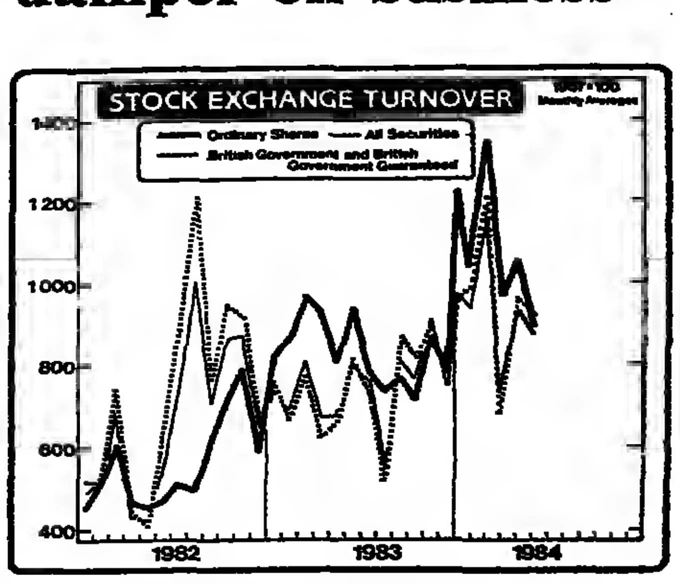
Turnover in ordinary shares fell by £0.95bn, or 16 per cent, to £4.98bn, and the Finaocial Times turnover index for ordinary shares dropped to 888.1 from the May level of 1,057.8. This, bowever, still compares favourably witb the 1983 monthly average of 834.7.

The number of equity bargains during June fell by 87,595 to 314,307, but the average value per bargain increased by £1,000 to £15,800.

Leading equity shares were very sensitive during June. Tbe troubled international financial scene and the more cautious approach adopted by UK institutions, wbich reflected underlying sensitivity to Wall Street's ragegd performance, gradually unsettled the market.

Prices had rebounded sharply early in the month. On June 1, the Financial Times Industrial Ordioary sbare index recorded its biggest-ever one-day rise by jumping 27.6 points.

An extension of the largely technical rally from the end-May depressed level of 796.9 saw the index attain a higb point for the month of 846.5 on June 6.



Tbereafter, with investment activity in low key, the index drifted back to a low point of 803.9 on June 26 before closing the month a net 21 points np at 817.9.

Overall turnover in gilt-edged securities contracted last month, by £0.82bn, to £21.71bn. Business in short-dated stocks increased, but this was outweighed by decreased trade in looger-dated and irredeemable stocks. Turnover in the latter catecory fell by £1.22bn, or 11.5 per cent, to £9.39bn. The overall number of bargains transacted in Britisb Funds, bowever, increased marginally to 70,467 with deals in the sborts 2,668 higber at 29,492.

The Financial Times turnover index for Government Securities in June was 918.7 compared with May's 953.3. The FT Government Securities index fluctuated narrowly and ended the month 0.36 points higher at 78.43.

Largely reflecting the tail-off in equity business, total turnover in June, at £28.37bn, was down by £1.95bn, and the Financial Times turnover index for all securities slipped from May's level of 929.1 to 869.4. The total number of bargains declined by 93,058 to 412,361.

Gold shares weakened during the month on lack of demand in the face of higber U.S. interest rates, wbich also encouraged a downturn in the bullion price. The Financial Times Gold Mines index lost 36.4 points to close June at 644.9.

Category	Value £m	% of total	Number of bargains	% of total	Average daily value £m	Average bargain value £000's	Average no. of daily bargains
BRITISH FUNDS							
Short dated (5 years or less to run)	12,314.3	43.4	29,492	7.2	586.4	417.5	1,404
Others (over 5 years)	9,392.0	33.1	40,975	9.9	447.2	229.2	1,951
TOTAL	21,706.3	76.5	70,467	17.1	1,033.6	308.0	3,355
IRISH FUNDS							
Short dated (5 years or less to run)	628.9	2.2	1,635	0.4	29.9	384.6	78
Others (over 5 years)	298.4	1.1	1,700	0.4	14.2	175.5	81
UK LOCAL AUTHORITY	389.1	1.4	3,916	0.9	18.5	99.4	186
OVERSEAS GOVERNMENT	128.5	0.4	1,815	0.4	6.1	70.8	86
OTHER FIXED INTEREST	244.1	0.9	18,521	4.5	11.6	13.2	882
ORDINARY SHARES	4,977.2	17.5	314,307	76.2	237.0	15.8	14,967
TOTAL	28,372.5	100.0	412,361	100.0	1,350.9*	68.8*	19,635

* Average of all securities.

UK NEWS

Print employers offer jobs deal on technology

BY DAVID GOODHART, LABOUR STAFF

THE NEWSPAPER Society, which represents provincial newspaper employers in Britain, is offering print unions a qualified job security agreement as a quid pro quo for the full introduction of new technology.

A draft national enabling agreement for the introduction of technology – including single keyboarding – has been presented to the National Graphical Association (NGA) in the continuing negotiations on technology.

Mr Tony Dubbins, NGA general secretary elect, has, however, already told a newspaper management seminar the original target of signing the national agreement on January 1 1985 is premature.

Some union officials believe that with a marked upturn in the profits of many provincial groups, the original enthusiasm for the national agreement is waning. The NGA strategy will probably be to sign individual agreements on single keyboarding in the next few months with a dozen groups which are in a position to take advantage of it.

Society officials remain hopeful that a national agreement will be signed. They say evidence of progress in the talks so far with the NGA is found in the joint union/management survey of how much material would be amenable to single keystroking, and in the fact that the NGA has conceded that the union cannot retain sole control of keystroking.

Meetings with other print unions are expected soon.

Even if a national agreement is eventually signed the present draft will clearly be unacceptable to all unions. The only two concessions to the unions are:

- Companies will provide continuing employment for those affected by new technology "except when the commercial performance of a company makes this impossible."
- Retraining will be provided for employees who do move jobs, and there will be a single lump sum payment (or variant) for those who are moved to lower paying jobs.

The main problem for the unions will be presenting a common front to the employers while the technology cuts across old demarcation lines.

Bill aims to curb lead level in paints

By Maurice Samuelson

AN ATTEMPT will be made in the House of Commons this week to control the amount of lead contained in paints sold in the UK.

A Private Member's Bill, to be introduced in the Commons on Wednesday, will propose statutory controls and require that all cans of paint should indicate their lead levels.

The Bill, to be moved by Mr Austin Mitchell, Labour MP for Grimsby, follows the failure of the Government to implement recommendations of the Royal Commission on Environmental Pollution.

One recommendation was that maximum lead levels in paint for domestic premises should be 600 parts per million (ppm), the same as the standard in the U.S.

The Paintmakers' Association claims that present lead levels are far lower than they used to be and denies that modern emulsion and gloss paints produced for retail sale present hazards.

The Bill suggests that all cans containing more than 600 ppm should bear a conspicuous health warning and information on statutory restrictions on their use.

Revenue to press tax claim on £38m Lloyd's funds

BY JOHN MOORE CITY CORRESPONDENT

TAX AUTHORITIES are seeking to recover arrears of tax on more than £38m of funds allegedly misappropriated from more than 1,000 underwriting members of Lloyd's, the London insurance market.

Members were notified of the Inland Revenue's attitude at the weekend by Richard Beckett (Underwriting Agencies), the Lloyds underwriting agency which forms part of Minet Holdings.

The agency company has told the underwriting members in a letter: "During the last two days it has become clear that the Revenue has hardened its attitude."

The Revenue's attitude throws into question the likely success of an offer by Minet to compensate the members for their missing funds. Minet made an offer of £38.17m after it alleged that funds belonging to the members of Lloyd's insurance syndicates had been misappropriated by former executives in the group for their secret benefit.

It was alleged that the money had been channelled out of the syndicates by the executives through companies which form part of the Alexander Howden group to offshore companies controlled by the former executives.

Minet has made its offer with the support of Alexander and Alexander Services, the parent company of Alexander Howden, whose companies were said to have been used to channel the money affshore.

The offer is conditional on all members assigning their rights to further recovery of the missing funds to a joint company controlled by Minet and Alexander and Alexander, and waiving their rights to sue both groups in the future. Members are split on whether to accept, and so far Minet has received firm acceptances from only 350 members.

Members have until July 19 to accept the offer. Underwriting members who form the syndicates under the management of the Minet interests face losses through trading at Lloyd's of up to £250,000 each and need the compensation money to help them meet their losses.

They have been given until July 21 to meet their losses as part of the market's solvency requirements.

The Revenue's view is that the diverted funds, channelled out of the syndicates in the form of reinsurance premiums, were not a proper deduction in compiling the profits of the members for tax in the period 1970 to 1980, "and the taxable profits were thus understated."

Home banking unlikely until 1990s, says EEC

BY OUR FINANCIAL STAFF

HOME BANKING and cashless shopping, two of the biggest developments forecast for consumer banking, are unlikely to have any great impact until the 1990s, according to a study by the EEC.

But after that the "bank branch as we know it today will be drastically transformed as its traditional functions are replaced by services offered by remote terminals," it says.

Home banking – the use of terminals in the home to initiate banking transactions – is not yet widespread in any EEC country, though five including the UK have made some progress. The study says the time needed to install systems, high costs and security are the main obstacles to rapid development.

Cashless shopping with terminals at check-out points which enable shoppers to transfer money instantly from their accounts to the merchant's with a plastic card also faces problems. A key problem is how the cost of developing systems is to be shared between banks and shops, but there are also doubts about the value of what is called electronic funds transfer at point of sale (EFT/POS).

A survey of European retailers showed them to be equally divided over whether EFT would benefit their businesses.

British banks were recently forced to delay a pilot scheme for a year because of disagreements.

The study does not doubt, however, that both cashless shopping and home banking will catch on by the end of the decade, with far-reaching implications for bank employees and customers.

It concludes: "There might also be implications for the control of the money supply and the subsequent control which governments try to exercise over the rate of inflation."

Report on the social implications of introducing new technology in the banking sector by Emil J. Kirchner, published by the Directorate-General for Employment, Social Affairs and Education of the EEC Commission.

UK NEWS

LUCAS GIRLING AIMS FOR VOLUME-CAR MARKET

£4m plant for anti-skid brakes

BY JOHN GRIFFITHS

LUCAS GIRLING, the British car components group, has begun installing capacity at its Pootypool plant in South Wales to produce what is expected to be the first anti-skid braking system for volume-produced cars.

The plant investment is understood to involve about £4m, and will not be undertaken unless Lucas Girling has obtained, or is convinced it will obtain adequate orders from UK or continental European car makers.

Anti-skid braking has frequently been described as the most important safety advance since the seat-belt. It prevents wheels from locking during hard braking, even on icy roads, and allows a car to be steered when the brakes are being applied.

Such system have been available only on executive cars from Mercedes, BMW, Audi and Honda. The systems on the West German cars add about £800 to the purchase price. Honda's is cheaper, at about £500, but less sophisticated.

Lucas Girling confirmed at the weekend that it has been holding talks "with a number of vehicle manufacturers at home and abroad." It would not say whether any supply agreements had been signed, but "the fact that we are going ahead with capacity at Pootypool could indicate that we are reasonably confident."

The plant is expected to start production of the system oext year. To date, its role within Lucas Industries' braking subsidiary has been to produce drum brakes.

Depending on orders by car makers, the company would also consider installing capacity at its Girling-Bremsen subsidiary in Koblenz, West Germany.

Lucas Girling said three years ago that it was developing a system for less than £500 suitable for volume cars in Western Europe's 10m a year new car market.

However, the high degree of engineering and electronic precision required has meant that the system has taken longer to complete than originally expected.

Girling had considered developing a system for Jaguar, which plans to offer anti-skid braking on its new XJ 40 saloon expected to be launched next year. However, Jaguar, like Ford – which is to have anti-skid braking on its Granada replacement next year – is expected to use a West German supplier, either Robert Bosch or Teves.

Austin Rover also plans to have anti-skid braking on its XX executive car to be produced jointly with Honda from late next year. However it, too, is expected to opt for a West German or Honda system.

● Renault has set a UK sales target of 10,000 a year for its 25 model – the company's first new contender in the executive car market for nine years.

The 25, with engines of between 2 and 2.7 litres and prices between £7,950 and £13,440 (including tax), goes on sale in the UK today.

The car is seen as a direct rival to Ford's Granada, Opel's Senator, BL's Rover saloons and the Audi 100.

EEC fine a 'serious injustice' BL says

By Kenneth Gooding, Motor Industry Correspondent

AUSTIN ROVER, BL's subsidiary, claimed at the weekend that it was the victim of a "serious injustice" when the European Commission imposed a fine of over £200,000 for alleged abuses of EEC law on competition.

Reaffirming that it would appeal, the company said: "The Commission's decision is extraordinary. It is clearly not only discriminatory against Austin Rover, but also based on an appraisal of the facts of the case which is inaccurate in several important respects.

"We have been taken to task – the only company to have been accused in this fashion – for practices which are not only common throughout the European motor industry but which are regulated in the UK by a code of practice endorsed by the British Government."

Austin Rover maintained that it did not seek to prevent re-imports of its cars to the UK, although some dealers and individuals buy cars cheaper in Europe and bring them back to Britain.

The company insisted that it never refused to issue certificates of conformity for imported cars, which is necessary for them to be used legally on British roads, but said three applications were initially turned down "because of a clerical error."

The Commission also criticised a charge of £100 made by Austio Rover for issuing the certificates. The company said that this was typical of industry charges, although several manufacturers charged more. It said that the Commission's ruling that the £100 charge must end was "discriminatory because no other manufacturer had been asked to stop charging for this service.

"We are also very unhappy that in both its summary ruling and in its press statement, the Commission has omitted important points of fact and has inadequately represented the company's policies."

GIANT OF WALL STREET SEES LARGE POTENTIAL IN BRITAIN

Merrill set for expansion

BY DAVID LASCELLES

THE THUNDERING herd is coming to London, but Mr Bill Schreyer promises to keep it under control.

Mr Schreyer is the new chief executive of Merrill Lynch, the giant of Wall Street whose profits exceed those of all London stockbrokers combined. He was in the City of London last week visiting his British outpost in Finsbury Square and seeing the great upheaval in the Stock Exchange.

He was impressed. "We see marvellous things opening up here." But lest that conjure up terrifying images of bulls stampeding down Throgmorton Street, he hastened to add: "We intend to proceed in a very solid and orderly way."

Mr Schreyer took over only a month ago with a mandate to tighten up Merrill's sprawling empire, and boost the international side. He states Merrill's corporate philosophy quite bluntly: "We always shoot to be number one."

Although much of the debate about City of London reform has been spurred by the fear that foreign firms will invade the market banded together, Merrill Lynch has been anything but a bogeyman. There have been no great Merrill takeovers or lunges for business. But that, says Mr Schreyer, is because Merrill is not in a hurry.

"People have brought us a lot of deals to look at," he said of possible alliances with London Stock Exchange firms. "But so far the right one has not come along." And there is nothing immediately in the works either, he says.

Merrill Lynch already has a big investment banking and international broking business based in London, and is one of the leading players in the Euromarkets. However, there are at least two ways in which Mr Schreyer thinks it can bring its experience to bear on the UK.

One is by trying to become a primary dealer in UK government securities – gilts. This is if, as expected, Britain goes over to a U.S.-style market where a select group of dealing houses bid for and make markets in government stock in return for the privilege of access to central bank funding.

Another is by building up the very business that made Merrill big in the first place: retail stockbroking, selling securities to the man in the street.

"Our studies show that there is good potential for that in England. It's an underpenetrated market and we would like to expand it." With hundreds of branches dotted round the U.S., Merrill pioneered modern day retail stockbroking with the Cash Management Account (CMA), which has now spread to the UK.

Security Pacific prepares for wider securities business stake

BY OUR FINANCIAL STAFF

IF THINGS go Security Pacific's way the large California bank could soon have the largest foreign presence in the British securities business.

Mr Richard Flamson, the chairman, said in an interview in London: "We would like to be able to supply a full array of services." This would include stockbroking, underwriting, investment management, trading in a wide range of securities and futures instruments and merchant banking, especially corporate finance.

Security Pacific was the first major foreign bank to take a direct stake in the Londoo market when it bought 29.9 per cent of Hoare Govett, the stockbroking firm, three years ago. Since then it has bought a stake in Charles Pulley & Co, the small jobbing firm, and most recently has bid for Continental Illinois' London merchant bank which went on the block last week.

The results of the sale will not be known for some days, but Mr Flamsoo said Security Pacific had made a bid because the Continental Illinois merchant bank was "a respectable organisation which would put us into that business faster than if we proceeded otherwise."

With about $40bn in assets Security Pacific is the ninth largest bank in the U.S. with a name for well-managed, aggressive expansioo into non-banking financial services.

These accounted for 35 per cent of earnings last year and could soon rise to 40 or 45 per cent, according to Mr Flamson.

"I think you will begin to see that pattern coming through in Britain."

Asked whether be would buy a larger stake in Hoare Govett when Stock Exchange rules were eased to make it possible, he said: "I don't know whether the rest is for sale."

The irony behind Security's expansion in the UK is that it is permitted to do more in London than it can in the U.S. because of highly restrictive banking laws.

The bank has gone into discount brokerage – cheap, no-frills stockbroking – on the home market, but cannot engage in underwriting.

Mr Flamson is hopeful that U.S. bank law will be reformed even though Congress has halted banking deregulation in the wake of the Continental Illinois crisis. "If banks can offer better services more cheaply, then the market will demand that they be allowed to," he said.

Calling a spade a shovel...

A. H. Hermann, Legal Correspondent, finds that the proposed Consumer Council's Plain Language Bill is not self-explanatory

THE PLAIN Language Bill proposed by the National Consumer Council in Plain Words for Consumers, published last week does oot go far enough to make plain language easily enforceable in the consumer field, but it may go far in convincing people that legal documeots not only *can* but *should* be written for everyone to understand.

Examples of wordy, unclear, pompous and dull styles are within everybody's reach. One has to do no more than to look at the small print at the back of an invoice for a domestic appliance, an insurance policy or a Department of Health and Social Security leaflet. Sentences stretching over 20 lines or more and stuffed with aforesaids and encumbrances and emoluments can be found in most leases or tenancy agreements. Why is such outrage perpetrated, both on the language and on the consumer?

The charitable answer is that lawyers cannot write. They are in love with cliches and even fonder of duplicating whole chunks of old documents and updating them by adding a few badly chosen phrases. The less charitable explanation is that they cannot think in abstract terms: instead of using a general all-embracing clause they produce a long and confusing document coosisting of specific provisions against all possible happenings, most of which will never happen.

The completely uncharitable, but unfortunately true, explanation is that lawyers who can both think and write are sometimes helping their clients to deceive the customer by calling a spade everything but a spade. Lord Denning, a master of plain language, had no patience with such practices. Dealing with a guarantee which, in fact, limited the liability of the supplier to about £147 (against a claim of nearly £6,500), Lord Denning said: "If he wishes to excuse himself from liability, he should say so plainly. Instead of heading it boldly Guarantee, he should head it Non-guarantee: for that is what it is."

Unfortunately English law is not much unfluenced by Lord Denning's impatience with documents which can be deciphered only with the help of a specialist and which the great majority of English speaking people cannot read to the end without getting completely lost. As Lord Justice Scrutton said: "When a document containing contractual terms is signed, then in the absence of fraud... or misrepreseotation, the party signing it is bound, and it is wholly immaterial whether be has read the document or not." One may add that if it is wholly immaterial whether the consumer has read the conditions on the order form, it must be equally immaterial that be tried to read them but could not understand them.

A timid attempt to get over this difficulty was made in the Consumer Credit Act 1974. The Act gives the consumer the right to see certain documents and to have them translated into plain English if necessary. Similarly, the Housing Act 1980 provides that certain information must be given to council tenants in a form "best suited to explain (the effects) in simple terms." To ensure that the tenants will understand what a notice to quit issued by a landlord means, the Government felt obliged to prescribe the wording of the required information.

In some common law countries that process has gone much further. New York and six other states of the U.S. have adopted plain language laws. A Bill modelled on the New York law is being considered by the parliament of Ontario. In Australia the New South Wales Contracts Review Act 1980 enables a court to say that n contract is unjust and void in whole or in part if it is expressed in a language which is not readily intelligible or is printed in a way which makes it difficult to read. Credit legislation in Victoria and New South Wales goes a step further. The director of consumer affairs may prohibit the use of a document which is not readily comprehensible.

The Plain Language Bill proposed by the National Consumer Council follows closely the model of the New York plain language law, with the main difference that it does not provide for enforcement by class actions as the New York law does. Instead, it would give powers to the Director General of Fair Trading to enforce the use of plain language, and this is probably the only effective sanction.

Few consumers will have the means and courage to sue for damages. As always it will be difficult to prove the amount of the loss, and the fine of £50 (called additional damages in the Bill – a good example of how not to call a spade a spade) is quite inadequate. The requirement of clarity would apply to consumer contracts, including credit contracts and housing contracts, even if the other contracting party is the Crown. What a pity it is not meant to apply to the printed material distributed by government departments and failing to convey information on tax returns, pensions and other social security matters.

The National Consumer Council deserves every support in this project – and encouragement to take it a step further by attacking legislation by reference. Unfortunately, its draft of the Plain Language Bill suffers from this disease. No attempt has been made to make the Bill self-explanatory. Its interpretation is possible only with reference to six English and Scottish Acts. When asking for plain language one should use it.

Airlines clash on Manchester, U.S. flights

By Michael Donne, Aerospace Correspondent

BRITISH AIRWAYS intends to restart flights on its Manchester-New York route next April using Lockbeed TriStar aircraft.

The airline withdrew from the route some time ago, as part of a retrenchment programme, but retained its licence.

The decision follows the application by British Midland Airways, the independent line which has already challenged BA on domestic trunk routes between Heathrow and Glasgow, Edinburgh and Belfast, to seek rights for the Manchester-New York route.

The Civil Aviation Authority is to hold public bearings this week in London into British Midland's application, which BA is contesting.

British Midland will be seeking the cancellation of BA's scheduled licence on the grounds that BA has not used it for several years and that the principle behind any route licence should be "use it, or lose it."

On the same grounds, British Midland will be seeking to have the scheduled licences held by British Caledonian Airways on the Manchester-New York and Prestwick-New York routes cancelled.

THE WEEK IN THE COURTS

Parole changes fall foul of courts

WHEN THE Home Secretary appeased his audience at the Conservative Party conference last autumn by announcing a sterner policy towards the release on parole licence of prisoners who had committed more serious crimes, he must have calculated only a minimal risk of his tougher penal policy falling foul of the law.

However, if the Home Secretary so far has won by three judicial votes to two*, the proceedings in the courts have demonstrated a degree of judicial activism in reviewing governmental policy within a statutory framework that has implications far beyond the issue of parole.

The Home Secretary's policy affected materially the release on parole licence of certain categories of prisoners. These included the reduction of the *parole eligibility threshold from* 12 to 6 months.

This part of the package, designed to ease the pressure on the prison population, came into force on July 1, and last week about 2,000 prisoners walked out of prison earlier than they would have with more to follow. Whether this provides anything more than temporary relief for the prison service remains to be seen. At the other end of the penal spectrum severe restrictions were to be imposed.

Those prisoners serving sentences of more than five years for offences of violence or of drug trafficking would be granted parole only when release under supervision for a few months before the end of a sentence would be likely to reduce the long-term risk to the public, or in circumstances which were genuinely exceptional.

Life sentence prisoners who had murdered police or prison officers, or been convicted of terrorist murders, sexual or sadistic murders of children, or of murders by the use of firearms in the course of robbery, would normally expect to serve at least 20 years in custody. The changes affecting life sentence prisoners were particularly important in view of the dramatic effects of indeterminate and long periods both prisoners and prison staff.

The Home Secretary's decision did not involve going to Parliament for an increase in the present range of maximum penalties for specific crimes. Nor did it involve any attempt to influence the judges to pass longer sentences. Indeed, the new scheme would involve a *greater degree of consultation* with the Lord Chief Justice and the trial judge (if available) to decide the minimum period a life sentence prisoner should stay in custody before parole was considered. It was clear that the Home Secretary sought to achieve his objective by exercising his discretion to refuse parole more frequently than had been the case *since* the parole system was introduced in 1967.

The division of judicial opinion centred on what Parliament intended might be done by those responsible for operating the parole system. Sir John Donaldson, the Master of the Rolls, and Lord Justice Griffiths (in support of one of the two judges in the lower court) thought the Home Secretary's policy changes were not so unreasonable that the courts would be entitled to interfere. Since the policy was designed to assuage public feeling that the most serious offenders should ordinarily serve their full term, and that exceptional circumstances would always allow for some modification of the general policy, the courts could not say that he was acting unlawfully.

The dissenting judge in the *Court of Appeal, Lord Justice* Browne-Wilkinson, arrived at an opposite conclusion because he viewed the structure of the legislation as having given a large element of independent judgment to the Parole Board, which recommends release of a particular prisoner, without which the Home Secretary may not exercise his discretion to release on parole licence.

The parole system was designed to ensure that each prisoner had his case for parole considered on its own individual merits, and that his conduct in prison and personal circumstances would be taken into account. It is inherent in the concept of parole that the Parole Board and the Home Secretary performing their twin roles weigh a number of considerations io each case.

The nature of the offence, the risk to the public of an early release and the social circumstances of the prisoner if released would be the prime considerations.

Parole, unlike remission of the sentence which is automatic so long as the prisoner has not lost time due to indiscipline, starts from the premiss that the sentence of the trial court was right. The prisoner's subsequeot change of circumstances may, however, indicate that it *would be in the interests* both of the public and the prisoner that he should not have to serve his full term.

If and when the case is referred to the Parole Board, it is bound to consider the case individually and, if it concludes that parole is appropriate, recommends release to the Home Secretary. The latter then has to make his own decision whether to grant parole.

The Home Secretary's new penal policy arguably falls foul of the structure erected by Parliament in that it does not simply say that great weight should be attached to the nature of the offeoce. It states that, save in circumstances which are genuinely exceptional the category of the original offence will be conclusive against a grant of parole. In this way it relegates the individual circumstances to more or less an inconsequential role.

Lord Justice Browne-Wilkinson concluded that the distinction, between a lawful policy decision to give great weight to the nature of the offence and an unlawful decision to make that factor decisive, had real practical consequences.

For example, the cooduct of a particular prisoner and his home circumstances may strongly point towards an early release and, if weighed in the balance against the oature of the offence, might produce a marginal position in which the decision to parole could reasonably go either way. The in*flexibility of* the Home Secretary's new policy would preclude the basic requirement to weigh all the circumstances of each case io order to reach a decision in each case.

Another ground of unlawfulness was that the Home Secretary was calling on the Parole Board to take account of his policy as a condition of the process of review. So the Parole Board would, in giving its advice and recommendation, be giving effect to the Home Secretary's policy. This was to confuse the separate roles of the two bodies involved in the parole decision-making. The board was being called on to make its decision on a factor that was imported by the Home Secretary's policy. Parliament had given an independent role to the Parole Board which was now being influenced by the Home Secretary role. So the policy was doing what parliament decreed should not be done. Where policy was parcelled out as between two executive authorities, the courts would ensure that the one did not entrench on the other. The court would not interfere with the policy, but they would ensure that the policy decisions were properly allocated as parliament inteoded.

* *R v. Secretary of State for the Home Department, ex parte Findlay and others,"* Times Law Report, July 7 1984 (the Court of Appeal gave the prisoners leave to appeal to the House of Lords).

Justinian

Law tribunal left to rule on QC's disputed fee

A HIGH COURT judge has declined to make any order in a dispute over a QC's entitlement to a £17,500 fee. Mr Justice Woolf, asked to rule that Mr Andrew Rankin had no right to the fee after dropping a client's case before it reached court, said the matter should be left to a joint tribunal of the Law Society and Bar Council.

Mr Thomas Patrick Taylor, a solicitor, of Mobberley, Cheshire, who brought the action, was given leave to appeal.

Mr Taylor paid his solicitors £17,500 in advance as part of a £25,000 fee for Mr Rankin's services in a long and complex action. Mr Rankin returned his brief shortly before the hearing, claiming that Mr Taylor was so unco-operative that it was impossible for him to cootinue.

The advance is still held by the instructing solicitors, Alsop, Stevens, Batesons & Co, of Liverpool.

Mr Taylor sought a declaration the money should be regarded as payment for solicitors' services only and not passed to Mr Rankin.

The judge said he had heard evidence from one side only. The solicitors had adopted a neutral stance and Mr Rankin had rejected an invitation to attend court.

The tribunal would be io a better position than the court to deal with the matter and it would be undesirable for him to pre-empt its decision.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Scottish & Newcastle

How a brewer's expansion plans were upset

BY LISA WOOD

"THERE ARE always several parts to any strategy," says Alick Renkin, group managing director of Scottish and Newcastle Breweries, Britain's fourth largest brewer. "No one setback is critical."

While this may be true, the icy terseness with which Rankin delivered this comment on the recent official scuppering of his bid for J. W. Cameron, a leading Northern brewer, suggests that his overall strategy to take the group beyond its current recovery has obviously been dented.

Indeed, while the group's much improved pre-tax profit reported last week, up 34 per cent to £55m, validates S & N's recovery strategy to date, stock market analysts believe that Cameron would have been a vital step in enabling S & N to boost the market for its own brands prior to launching itself on another diversification programme. Previous attempts to widen its base in the 1970s, with the exception of hotels, were failures.

The acquisition of Hartlepool-based Cameron would not only have boosted S & N's brewing capacity in the North East which, alongside the Scottish market, is the group's traditional market base, but would also have alleviated a structural weakness in the group. For despite being deemed Britain's fourth largest brewer by output—it has some 11.5 per cent of total UK beer production—S & N has a much smaller tied estate of public houses than its major competitors. In the increasingly competitive beer market Cameron would have brought some 450 public houses to a group heavily dependent on the free trade.

At the time the proposed deal was announced in April Rankin said: "We feel like the cat that got the cream. Cameron will be a major plank in S & N's strategic plan." The intention, he said, was less to enlarge the company's brewing business than to reinforce it in preparation for pushing into new businesses in two to three years' time.

Critics, including CAMRA, the real ale lobbyists, successfully argued that the acquisition should be referred to the Monopolies and Mergers Commission.

The termination of the deal by S & N last month, subsequent to it being referred to the commission by the OFT, has not, Rankin maintains, "automatically ruined" S and N's plans.

Although his future intentions are not yet clear, it is plain that a coherent management strategy is currently bearing fruit.

According to Rankin, the group's performance in 1983-84—a substantial improvement following the slump of 1981 when pre-tax profits fell to £32.2m—is not the result of a change in strategy but one of analysis and execution.

"There was not any one problem in the 1970s," maintains Rankin, who took over as group managing director in May 1982. "If one was any bigger than any other, though, it was the need to get our lager strategy right."

Just how badly things had gone wrong for S & N is illustrated by the fact that between 1968-69 and 1976-77 profits advanced by 180 per cent, an increase materially better than any other major brewer. In contrast, between 1976-77 and 1978-79 profits rose by only 5 per cent—the poorest record for any company in the industry at that period.

In the early years S & N saw its long commitment to the free trade (i.e., outlets not tied to a particular brewer) pay off. The free trade sector was buoyant in a growing beer market and S & N had an edge on the market because of its experience.

Alick Rankin: his hotels have been a rare success in S & N's diversification

While other major brewers achieved "national" status through acquisitions and mergers, S & N retained its strong roots in the North and forged long supply lines South from its centralised production facilities in Scotland. Huge distribution depots, however, brought their own problems, both in terms of labour relations and quality.

About that time S & N was looking to diversify. Early forays, including a golf course in France, proved to be expensive mistakes. An attempt was made to gain entry into the lager market via a consortium with Guinness and Courage. However, part-ownership of the Harp brand proved disappointing.

By the late 1970s the encroachment of competitors on free trade left S & N with a serious brewing over-capacity.

S & N responded initially with a major group reorganisation, a move followed in 1982 by a second reorganisation after the abrupt departure of Robert King, the chief executive, as a result of differences of opinion in the boardroom.

"Efforts to put major problems right resulted in the group taking on a large number of people. We became over-managed and very centralised," says Rankin.

Over the past two years, though, a new slimline board has been implementing a strategy which is resulting in the group winning back market share in Scotland and the North East, without cutting margins, as well as developing other strengths, such as its Thistle hotel business which reported pre-interest operating profits up by 90 per cent this year to £5.5m.

Three geographical divisions now have responsibility for the production, distribution and retailing of the group's beers, including its lager brands such as Kestrel, which was developed in the late 1970s. Previously each function was handled separately.

"There is now a much closer relationship between the wholesaler and the retailer," says Gavin Reed, a main board director. "Decisions are taken at local level which means problems can be resolved more quickly."

The three large distribution depots have been closed and replaced by nine smaller ones, a move which Rankin says has improved labour relations. Cutting long supply chains has improved the quality of products with faster stock turnaround and closer control of stocks.

More than 6,000 jobs have been lost with particularly large cuts among administrative staff at group headquarters in Edinburgh. Some 200 more jobs are to go when the group closes its Holyrood Brewery in Edinburgh next year and production will be concentrated in three modernised plants in Newcastle, Manchester and Fountainbridge, Edinburgh.

At Manchester the group is about to build a new packaging plant alongside its lager brewery, bought from the Harp consortium in 1979.

There have also been production economies. At the high-speed canning plant at Fountainbridge, the fastest in the industry, 36 people now produce 1,525 cans a minute. Four years ago it produced 1,000 cans and 78 people worked on the shift.

Cash flow has been given a boost by the disposal of Gough Brothers, the group's small off-licence business which Dr Bernard Kilkenny, managing director of the wines and spirits and hotels division, said was not big enough "to have much clout."

Kilkenny hints that part of his strategy is to acquire country house hotels on the edges of major conurbations where a more individualistic style would be on offer. "A logical second step after we finish the current £30m refurbishment programme of our existing hotels is more acquisitions," he says. "Then if we are still on course we might think of going abroad."

Rankin refuses to be drawn as to where S & N may look for diversification in an industry where more and more major brewers are increasing their leisure market portfolios.

Questioned on whether S & N may yet look for a small brewer to acquire in the Midlands or South draw an enigmatic smile. On whether or not S & N is now a regional or a national brewer provokes the ambivalent response: "We are a regional brewer with national interests."

The key element of his strategy, he stresses, is to "use the correct amount of time" to make the central beer business very strong in order to provide finance for other activities after a couple of years of consolidation.

The latest results suggest S & N is on course, despite the Cameron setback. But it has been a hard slog and the workforce is still slightly sceptical. "We have seen so many mistakes in the past," says Ronnie Robertson, a senior shop steward, "that the big question is still whether or not the company has got its sums right."

But, he added: "You really have to work in this company to appreciate the changes that have been made in the past few years."

Practical creativity urged

Michael Dixon on likely effects of the Education Secretary's plans

WORTHY BRITISH citizens turned cynical by the education system's neglect of developing the skills of designing and making things, still cannot bring themselves to believe it. But it's true all right, being set down in black and white by Sir Keith Joseph, Secretary of State for Education and Science. It's just that, amid all the furore over teachers' salaries and the changes he has just proposed in academic examinations, it's been forgotten.

In a keynote speech earlier this year — known familiarly among the educational fraternity as "the Sheffield speech"— Sir Keith propounded a new list of what every child should be able to do by the age of 16. Remarkably, he included not only a long set of academic attributes, but also a batch of less familiar practical skills.

Pre-eminent among them was the ability to "design and make something." More challenging still, the child should be able to do so by using only "a limited range of materials and calling on a restricted range of concepts." To dispel any notion that he wanted to create an even larger body of semi-illiterate engineers than already exists—which is not to say that all engineers are so cursed—Sir Keith added the crucial rider that the children should also be able to "give an account of what they have done and (of) the problems they encountered."

Schools should develop this foundation of industrial creativity in all pupils, university candidates included, he urged. Designing and making was not just for academically slow children.

Whether or not Sir Keith's declaration leads to an early change in school curricula, his stress on the need for well-nigh everyone to develop practical skills represents a fundamental sea change in British educational policy.

His change of course receives a particularly warm welcome from Professor Michael French of Lancaster University's engineering department. He has for years been complaining of "gross neglect" of the skills of practical design, not only by school teachers but by the staff of universities, including a good many of his fellow engineering dons who concentrate their teaching on the theoretical aspects of the subject.

The creative engineers of Britain's first industrial revolution, such as Henry Maudslay, who did much to open the way to mass production by inventing the slide-rest, typically had little time for academic work. If they attended school at all they mostly left it very young and learned their designer's and maker's craft on the job; sometimes—as in Maudslay's case—without formal apprenticeship.

By contrast, Professor French says, today's engineering designers must from the outset "be able to do their sums." Yet with few exceptions children showing promise in mathematics and science are steered by their teachers into studies which become more and more theoretical in content, and often increasingly narrow in range.

One result is that academically successful children coming from the schools express little demand for degree courses with a strong practical content of any kind, and few courses therefore include one, even in engineering departments. Moreover, school classes in technology, design and crafts are largely viewed by teachers as fit only for children who cannot do sums and are no great shakes at any other intellectual pursuits either.

Workshop space

While welcome, Sir Keith Joseph's plan to break this practically counterproductive educational habit will be hard to carry into effect.

Enabling 80 to 90 per cent of all pupils to practise effectively the skills of designing and making will require wholesale expansion of facilities in schools: workshop space, equipment and, above all, appropriately skilled teachers. Compared with standard academic classes, the cost per pupil of productive practical lessons will be heavy.

The question of which kinds of teaching are to be financed by 99.5 per cent of the state's school budget is decided, not by central Government, but by local education authorities whose spending decisions are watched closely by teachers' unions. Expecting them voluntarily to cut expenditure on established studies so as to develop hitherto disregarded activities calling for different types of teachers, is a bit like expecting the management and unions of British Rail to take the initiative in developing new forms of road transport.

Even when school budgets were growing generously the local education authorities and teachers' associations were not enthusiastic about radically new departures. They can be relied on to be even less so as a result of the Government's cuts in spending on schools.

How to loosen the dominant belief that all any competent scholar needs is training in the academic kinds of thinking promoted by honours degree courses, may indeed be the decisive problem for those wishing to revitalise British engineering design. For a study* recently published as part of Harvard University's research project on human potential suggests that academic education which concentrates on developing the verbal and numerical aspects of intelligence, tends to leave lying a different kind of intelligence which is essential to excellence in designing and making.

This kind of intelligence—one of seven distinct varieties which Dr Howard Gardner, the author of the study, claims to have identified—is "spatial." It is what enables people faced with a problem which needs solving by a machine of some sort or other, to work out in their imagination what components would be required and how they would fit together and interact.

It is evidently a "visualising" ability which does not coincide with high levels of the kinds of intelligence which enable people to deal expertly with so-called symbol systems based on either numbers or words. But unless people have the spatial intelligence, no matter how good they are at sums, they are in many cases most unlikely to become effective designers and makers.

If Dr Gardner is right, Sir Keith Joseph will need to go well beyond his present measures to achieve the aim of regenerating the UK's industrial creativity. The schools will need to be equipped with systematic means of identifying and developing spatial intelligence in children, and from long before the age of 14 to boot.

* *Frames of Mind. William Heinemann, £18.*

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THE ARTS

Architecture
Colin Amery

Stirling triumph at Stuttgart

There are not many new public buildings that impress by their monumentalism, fascinate by their ingenious planning and linger in the mind because of their original beauty. The new Staatsgalerie that opened recently in Stuttgart does all these things.

It is the creation of a British firm of architects, James Stirling, Michael Wilford and Associates, who won a competition in 1977. There is no doubt in my mind that this new art gallery, with its adjoining small theatre, library and music school, is one of the best new buildings in Europe. It represents a real breakthrough for the new architecture, a culmination of the attempts to recapture an architectural language that acknowledges the past while evolving an unequivocally new style.

It is a joy to find a new work of British architecture of such distinction, originality and quality—go to Stuttgart; it has to be seen.

The gallery stands on the Konrad Adenauer Strasse next to the 1837 neo-classical Staatsgalerie. The road is an unpleasant autobahn and the approaches to the gallery are through unattractive underpasses from the green and pleasant centre of rebuilt Stuttgart. I first saw it in the low sunlight of early evening when the travertine and golden sandstone glowed and the solid forms and planes had a sharply dramatic life.

The plan of the new galleries is a classical one based on Schinkel's Alte Museum in Berlin. A series of rooms form a squared-off "U" around a circular open drum. To allow mandatory access across the site a footpath has been incorporated that wanders up a ramp and round the inside of the open drum. It is possible to enjoy a memorable architectural experience without, in fact, visiting the museum interior.

I loved this rich processional quality—you are lured by the curves, seduced by the surfaces, tantalised by tempting glimpses while being moved by the monumentality. There are many architectural references to track down throughout the museum. Externally hints of ancient Egypt, New Delhi, Roman ruins and Herculaneum are set off by slightly coy games with the recent vocabulary of High-Tech architecture.

This is part of the architects' intentions. James Stirling has written that he wanted the gallery to be both monumental and populist, both "abstract" and "representational"—uniting the two streams that have flowed through his work since the 1960s. It is a serious and fascinating idea that almost comes off. I do not feel that the overscaled and brightly coloured metal handrails or the assemblies of constructivist steel and glass elements that are suspended over entrances do much more than air the unsuitability of such industrial fragments for a serious architectural setting.

It is an amusing notion to play with giant modern constructs as though they were toys but it is a self-conscious, indulgent game. What is more successful is the use of loose, wavy forms for the huge window lighting the main foyers which gives intriguing faceted reflections of the more solid elements of the composition.

Contextually the museum is brilliant. Its plan and elevation complement the classical old museum and the ancillary elements are carefully scaled to match the neighbours. In the adoption for these buildings of a reflection of the style of the 1927 Stuttgart Weissenhof Seidlung the origins of the Modern Movement are tactfully remembered and then forgotten.

The first populist shock comes on entering the museum though red revolving doors, having run your hand along the pink and blue handrails. The floor of the main entrance space is vivid lime green rubber that immediately turns the face of every visitor a bilious shade. Things calm down at the elegant top-lit drum inspired by Asplund where guidebooks and postcards are sold. A ramp or a glass lift (that makes sly jokes at the expense of the Pompidou Centre) will take you into the main gallery floor. This is a glorious enfilade of rooms, much larger than they appear from outside.

Each room has a coved ceiling that is complemented by a witty use of a fragment of cornice to conceal the lighting. Doorways between the rooms have architraves with pediments that incorporate the room numbers in a traditional way (a pity that Roman numerals were not used) and at floor level the stone skirting is a pleasing detail. From the galleries there is access to the sculpture courts around the open drum. These are dramatic outdoor spaces under the jutting coved cornice that inevitably bring to mind Lutyen's indoor/outdoor staircase hall at Viceroy's House in New Delhi. The ten windows are appropriately tall and there is real architectural power here weakened only by the unnecessary planting.

The open drum which can be glimpsed from the sculpture court in fact dominates the museum by its presence as an open heart. It will in time have greenery growing out of its top wall so that the impression of a ruined colosseum will be complete.

James Stirling's achievement at Stuttgart is a major one. Many of the complex threads of his thinking have come together here in an inspiring way. He had a good budget (total cost DM 82m) and superbly careful contractors and a generous client who has consistently understood the aesthetic intentions of the architects. This is a mature and intensely satisfying place that embraces the gift of European symmetry and enhances it with an English understanding of the Picturesque approach to monumentalism.

This is the new architecture that has emerged by a painful process of evolution out of the chrysalis of the confining Modern Movement. It is rich and powerful without being dominant and vacuous — Stuttgart is fortunate indeed to have Stirling's best building. Make the pilgrimage and you will see how satisfying the future of contemporary architecture can be in the right hands.

A new building that breaks th—mould—Stuttgart's Art Gallery by British architect James Stirling

Arabella/Glyndebourne
Ronald Crichton

Arabella, an absentee at the moment from the London repertory, came on Saturday to enrich Glyndebourne's reputation as a piece for Strauss. Production and performance (sponsored by John Player Special) had an assurance which stilled feelings that *Arabella* has had her share of outings in recent years, that it was the turn of *Die aegyptische Helena* or *Daphne* or *Danae*. There was a cordial, clamorous reception—one enthusiast near me, bellowing his excitement, forgot that loud, unmusical bravos can destroy the atmosphere as brutally as boos.

Haitink conducts (Stephen Barlow takes over for four performances later in the run), John Cox produces, Julia Trevelyan Oman makes her Glyndebourne debut as designer. Teamwork has been close even by local standards. But because so much perception has been directed on the ins and outs of Strauss's by no means foolproof vocal and orchestral texture — *prima la musica*.

Where many conductors turn *Arabella* into a stream of undifferentiated, effervescent mush, Haitink makes the score at once stronger and more intimate than usual, giving the profuse scraps of material woven by Strauss with such dazzling skill a sharp, recognisable profile and resilience, throwing light and shade alike into passages habitually scurried through. The blending of colours was constantly revealing, with woodwind (the LPO on top form) brought well to the fore, a process that gave a tang to the folk-tunes and brought out a surprising amount of gall in the harmony for example in Arabella's monologue at the end of the first act. Yet there was little of the familiar Straussian struggle between voices and orchestra —

On stage producer and designer recreate corners of Vienna of precisely the period Strauss and Hofmannsthal wanted—the 1860s. Miss Oman has noticed a fact determinedly ignored even by some eminent Glyndebourne designers in the past, namely that in "period" reconstructions it is not only unnecessary but improbable to have every detail, down to the last pelmet tassel, of exactly the right date. Only the Faninals of this world and their decorators worry about such things. Over the slightly déclassé hotel in which the Waldners lodge, in which new and not-so-new furnishings have accumulated against a heavy rococo background, there hangs the unmistakable air of Viennese fug and mustiness. "For the Viennese," Alan Preyce-Jones has written," have turned mustiness into a relish. It apes the function of a pinch of salt, of a drop of scent in the bath."

The ballroom of act 2 is all heavy, carved, brown wood, so full of white-clothed tables that people keep on knocking things over and breaking glasses. There is so little room that the dancers (Haitnak gives even the waltzes a profile) can't spill over onto the main area too often. Mr Cox has wisely concentrated on the intrigue, making Zdenko/Zdenka's assignation with Matteo and Mandryka's reaction more credible than usual, even contriving to make the Fiakermili (intelligently sung by Eileen Hulse) reasonably interesting. I can't remember a more convincing account of this difficult act, in spite of the producer's curious failure with Arabella's suitors —there is more to Matteo than Keith discovers, and the three besotted young counts are more tedious than ever — perhaps to accentuate the superior attraction of Mandryka.

The American Ashley Putnam, who sings Arabella, has greatly matured since her Glyndebourne Musetta of 1978. She was cold and governessy at first, but by the time she reached the monologue already mentioned was singing with impressive authority. The top of the voice, true and secure, does not flow with the ideal Straussian ease, but Miss Putnam sailed through the tricky imbroglio of the last act with calm and touching dignity.

Sister Zdenka was another American, Gianna Rolandi (Susanna in this year's first *Figaro* cast)—a clever performance, equally taking as podgy disguised boy and as distressed, disgraced girl. As the girl's mother Regina Sarfaty was fine once she switched off the full power. As their deplorable father Count Waldner, Artur Korn (valuable artist) successfully disguised the natural splendour of his voice in the interests of character.

Mandryka, the handsome stranger who so magically and opportunely appears from distant regions lower down the Danube, is the devil of a part, demanding physical qualities and manners which singers either have or have not. It can be done by taking thought, as Fischer-Dieskau showed at Covent Garden many years ago with a brilliant composite portrait built up from outside inwards and, in retrospect, not wholly plausible. The best Mandryka I have seen was Eberhard Waechter in Vienna, his unselfconscious magnetism and impulsiveness entirely natural.

Glyndebourne's wild seigneur from the plains is the Dutch baritone John Bröcheler, who does not possess the physical stature for the role but brings to it an air of smiling surliness which works rather well. His singing is honest and well-formed. His stance, with rigid arms and too much bending forward from the waist, does not suggest a life in the open air mainly (one supposes) on horseback. Mandrykas however don't drop from trees, and Mr Bröcheler's obvious sincerity completes a vintage Glyndebourne evening.

Bob Dylan/Wembley Stadium
Antony Thorncroft

It has never been Bob Dylan's style to pander to an *audience. He goes his way and if 70,000 fans want to follow* him out to Wembley, fine. The distance between the artist and his acolytes is stretched even further when he is a micro dot on the stage and they huddle way to the receding horizon.

Bob Dylan was as his most remote at Wembley on Saturday. He almost seems to enjoy being perverse. In "A hard rains a-gonna fall" he varied the last line of the chorus so that the throng singing along were continually left in the air; in "Maggie's farm," a song which has been unofficially adopted as the Labour Party anthem, he rushed through the lyrics, giving the audience no time to enjoy their relevancies. And yet, by the end they had caught up with Dylan and nailed the man. In "Like a rolling stone" they took over the song and brought it to a resounding climax. And Dylan probably enjoyed their pleasure.

It was an intriguing affair. It lacked the party atmosphere generated by Elton John at the same venue a week earlier. There was no giant screen to bring the star into the vision of the thousands. There was little attempt to communicate. But Bob Dylan is a genius and on this showing he can also be classified a rock genius. His British band, with guitarist Mick Taylor in fine form, gave him a drive which matched his up-beat re-interpretations of what were mainly his old, old hits.

And when the band left the stage and Dylan, dressed like a Victorian undertaker in a black frock coat but a creditable intense black bearded 43-year-old, was alone with his guitar, a generation rolled away and the lyrics, the most compelling in post-war music, could be heard again, most notably with "It's alright ma (I'm only bleeding)." Then it seems right that he should be the great non-conformist who ironically has been adopted by "movements," and that he should be apart, giving little in the way of entertainment but a great deal in emotional creativity. A Bob Dylan concert may not be fun but it is certainly an awesome event.

Obituary/Dame Flora Robson

Flora Robson, who died on Saturday aged 82, was one of the outstanding actresses of the century, her major successes concentrated in the three decades after she made her London stage debut in 1921.

She was born in South Shields, Co Durham, the daughter of a sea captain, and after winning the RADA bronze medal played in repetory first with Ben Green and then with J. B. Fagan's Oxford Playhouse Company. It was in Fagan's production of *Heartbreak House* that she met another young aspirant, Tyrone Guthrie, who commented later on this "tall, dark girl with beautiful grey eyes."

With Guthrie she moved on to the Cambridge Festival and the Old Vic in the 1930s, a leading artist in company with Charles Laughton, Olivier, Gielgud, Richardson and Guinness. Guinness has said she was possessed of "the most beautiful voice of a women in the theatre of our time."

She never married, although for a long time she was inseparable from Guthrie. She later spoke of loneliness and heartbreak, both in interviews and the most recent biography written by Kenneth Barrow. Her celebrated stage roles included Varya, Isabella, Gwendolen in *The Importance of Being Ernest* before the war and, in the late 1950s, Mrs Alving in *Ghosts* and Miss Tina in Michael Redgrave's *The Aspern Papers*; a second distinguished Jamesian role was that of the governess in *The Innocents* (1952).

Her film career was sponsored by Laughton and Alexander Korda, for whom she played the Dowager Czarina in *Catherine the Great* (1934) and the ageing Queen Elizabeth in *Fire Over England* (1937). In both roles she evinced a still gravity and flickering, disappointed emotionalism that many took to be indicative of her private life.

She commented humorously on her liability to be type-cast as spinsters, housekeepers, nuns and lonely queens. Her last stage appearances were in Rodney Ackland's *The Old Ladies* (1969), as Queen Elizabeth again at the Edinburgh Festival of 1970 and, four years later, as the narrator of *Peter and the Wolf* at the Brighton Festival. She was made a DBE in 1960.

M.C.

Is there life after the GLC?

Tony Banks MP, former GLC arts chief, fears for the future

In the campaign to save the GLC and the Metropolitan Councils, the arts have figured prominently, but then there is much at risk should those authorities be abolished. At the outset, when the Government issued its arts consultative document to accompany the White Paper *Streamlining the Cities*, it maintained that the boroughs in London and the districts outside would make up the loss of financial support for the arts after abolition. Special arrangements were to be made for the South Bank and a number of prestigious arts institutions, which were so *random as to suggest they were* the only ones the Minister had heard of.

However, the great bulk of arts bodies were assumed to become the responsibility of the lower tier of authorities. In 1983/84 the funds made available to the arts by the seven councils under threat amounted to some £32m, of which the GLC alone was responsible for nearly £20m. To suggest that a sum of such order could be provided by rate-capped boroughs and districts bounded on the absurd, and somewhat belatedly the Government recognised the fact by announcing that from 1986—the proposed date of abolition — an extra £34m would be made available for the arts. The Minister for the Arts, Lord Gowrie, claimed that this money was his response to consultation, but there can be little doubt the arts lobby secured a victory. In effect the *Minister has attempted to buy* off the arts in order to prop up the Government's case for abolition of the GLC and the MCCs. But those involved in the arts should not allow themselves to be blinded to the crisis which will surely follow abolition.

First, the extra money takes no account of the likely budgetary growth in GLC and MCC arts expenditure between 1984 and 1986. In the case of the GLC, arts expenditure doubled in real terms between 1981 and 1983, and even with mounting financial difficulties the trend will continue upwards. Thus the anticipated short-fall for the arts in London alone, should abolition go ahead in 1986, will be between £5-7m—a figure equal to the current combined arts spending of all the London boroughs excluding the City.

Secondly, the Gowrie money is earmarked for the more established arts centres in London and the regions. The Arts Council will administer £16m of the total and there seems little chance that any will filter through to the community and ethnic arts sectors which, in the case of the GLC, have been such a prominent feature *of its arts policy*.

Thirdly, the extra central support will undoubtedly exert a downward pressure on future Government funding for the Arts Council. Since 1979 Government expenditure on the arts has only looked generous compared with the cut-backs in certain other areas of public expenditure. In real terms there was a decline in the Government's arts funding up to 1983-84 and the 4.6 per cent real increase in 1984/85 is largely attributable to a 15 per cent increase in funds to the national companies. All increases must be welcomed but the record does not justify some of the wilder claims by ministers that the arts have done very well under the present Government. In comparison with the GLC, Lord Gowrie has failed woefully.

If the GLC is abolished I *believe we will witness a dramatic return to the narrow-minded*, middle class, white, male dominated attitudes which are so characteristic of much of national arts funding. Hundreds of the *GLC's present clients* (and we have more than the Arts Council) will be forced to turn to the boroughs and many will be bitterly disappointed. Not simply because London boroughs vary enormously in their attitudes towards the arts, but by 1986 even the most progressive will be struggling to maintain vital services in the face of rate-capping. Of course the national centres will survive —Mrs Thatcher appreciates the value of Shakespeare, opera and ballet—but will she also care if major regional theatres, arts centres, dance groups, film workshops and touring companies go to the wall?

This has always been the stark reality of abolition and the Gowrie money has done nothing to change it.

The Labour GLC from the outset in 1981 rejected the concept of "art for art's sake" in a city faced with a spread of social problems. The arts must be related to the wider problems of unemployment, homelessness, poverty and urban decay. To stand the arts apart from such vital social issues would mean to condemn them to the position of an irrelevancy, *the icing on the cake, to* be enjoyed by the wealthy and enlightened. For the record, this does not mean the GLC has sought to re-write Shakespeare to take account of the problems of Newham. Rather, we supported companies that made Shakespeare more readily accessible.

The same is true of opera, ballet and other art forms. Who else but the GLC in London would support the factory and shopping centre concerts, the huge festivals on the South Bank, the open foyer policy in the Royal Festival Hall, the lakeside concerts at Kenwood and Crystal Palace. The list is long and impressive and well received by Londoners whose rates pay for it all now that the GLC has ceased to receive any central government funds.

The GLC is not responsible for bringing politics into the arts—the two are already inextricably linked and we have simply been honest enough not to attempt to deny it. The decision to abolish the GLC and the MCCs is overtly political and the consequences for the arts are far reaching. Under such circumstances it reveals confused thinking for Ministers to accuse us of using the arts as part of the campaign simply because we have been strident in pointing this out.

At County Hall we make no secret of our determination to fight abolition to the end and we have brought to our overall campaigning a level of sophistication that has clearly taken the Government by surprise. In the Commons on April 11, I said the GLC would humiliate the Government. The recent Paving Bill defeat in the Lords was only the beginning of that humiliation. Mrs Thatcher has still not yet appreciated the irony of the GLC's location at Waterloo.

Civil Service Arts Club Association exhibition

Sir George Moseley, permanent secretary, Department of the Environment, will formally open the annual exhibition of the Association of Civil Service Art Clubs, which is being held at the Banqueting House, Whitehall, at 5.45 pm on Tuesday August 14.

The exhibition will be open Tuesday to Saturday between 10 am and 5 pm, Sundays 2 pm to 5 pm, from Wednesday August 15 to Wednesday August 29.

RPO receives £100,000 boost

The RPO is to receive the largest sum ever given by a sponsor for a major music event in London. Bankers Trust is contributing £100,000 towards the André Previn Festival on the South Bank in June 1985.

The two-week event celebrates Previn's debut as music director of the RPO and among the artists taking part are Ella Fitzgerald, Oscar Peterson, Vladimir Ashkenazy and Pinchas Zuckerman.

During the current season the RPO will receive £300,000 from sponsorship.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

July 6–12

VIENNA

Vienna's Musical Summer: Vienna Symphony Orchestra conducted by Erich Binder with Thomas Christian, violin: Smetana's The Bartered Bride Overture, Dvorak's Violin Concerto and Tchaikowsky's Suite No 4 (Tue). Also with the Vienna Symphony Orchestra conducted by Lawrence Foster with Paul Badura-Skoda, piano, Beethoven's Prometheus Overture, Brahms' First Piano Concerto and Mendelssohn's Fourth Symphony. Both in the Arcade Court of Vienna City Hall (42800/2085 and 2095).

LONDON

City of London Choir, Brompton Choral Society and the Royal Philharmonic Orchestra conducted by Donald Cashmore with Sheila Armstrong, soprano and David Wilson Johnson, Baritone: Brahms' German Requiem, Vaughan Williams' Dona Nobis Pacem. Royal Festival Hall (Mon). (928 3191).

Yehudi Menuhin School Orchestra, conductor Peter Norris, David Johnston, tenor and Megumi Fujita, piano: Grieg's Holberg Suite, Mozart's Piano Concerto in C, K415, Britten's Les Illuminations and Elgar's Introduction and Allegro. Royal Festival Hall (Tue) (928 3191).

London Symphony Orchestra directed from the violin by John Georgiadis: Viennese Pops Evening. Barbican Hall (Tue). (638 8891).

London Mozart Players: A farewell concert for Harry Blech, conducted by him. The last symphonies of Haydn, Mozart and Schubert. Queen Elizabeth Hall (Wed). (928 3191).

Golden Moments of Italian Opera: The London Symphony Orchestra conducted by Richard Armstrong with soloists Rosalind Plowright, Jean Rigby, Charles Craig and Neil Howlett. Barbican Hall (Wed, Thur).

PARIS

Paul Kuentz Orchestra and Choir, Henryk Szeryng, violin: Mozart Concerto K. 190, Concerto K. 271a, Concerto K. 216 (Tue) Saint-Severin Church (633 8761).

David Obramovitz, piano (Wed), Centre Georges Pompidou (278 7995).

Mozart Festival – Orchestre de Paris: String Quintet K. 614 and String Quintet K. 516 (Mon) Saint-Merri Church (563 0796, 1pm–5pm)

Mozart Festival – Orchestre de Paris with Daniel Barenboim as conductor and piano soloist, Kathleen Battle, Ann Murray, David Rendall, Matti Salminen. Orchestre de Paris Choir conducted by Arthur Oldham: Piano concerto No. 25, K. 504, Requiem, K. 626 (Thur) Salle Pleyel (563 0796, 1pm–5pm).

Bellini's Somnabule (Mon, Tue) Sorbonne, Grand Amphitheatre (251 6911).

NEW YORK

New York Choral Society (Cami Hall): The 24th summer of sings, in which audiences are encouraged to participate (even lent a score) features this week Larry Newland conducting the New York Philharmonic in an all-Beethoven programme (Tue) and Mark Mangini conducting The Village Singers and Kingsborough Community College Choir in an all-Mozart programme (Thur). 57th & 7th Av (873 0096).

WASHINGTON

National Symphony (West Lawn of U.S. Capitol). Free concert conducted by Mstislav Rostropovich. (Wed).

CHICAGO

Ravinia Festival: James Levine (piano) and Friends. All Mozart programme (Thur). Highland Park (728 4642).

ITALY

Spoleto, Teatro caio Melisso: Midday concert every day during festival (which ends on July 15). Box office for Spoleto: Tel. Rome 676 32 62.

Rome: Piazza del Campidoglio: In Michelangelo's entrancing piazza – a performance of Beethoven's 9th symphony conducted by Lorio Maazel, with the soprano Elisabeth Connell and Agnes Baltsa, Wieslaw Ochmann and Franz Gpundheber (Fri); Gershwin's An American in Paris piano concerto in F, Rhapsody in Blue (for jazzband and piano) and excerpts from Porgy and Bess. Wed and Thurs. (Tickets at the Campidoglio from 7.30 on same evening or in Via Della Conciliazione. Tel.: 654 10 44 (9am to 2pm).

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Monday July 9 1984

Running just to stand still

IN COMPARISON with what politicians and futurologists used to call the population explosion, the Third World debt crisis is about as dangerous as a stick of dynamite against a thermo-nuclear device. This is the central message of the World Bank Development Report, published this week. The report will have to fight hard for attention at a time when international economic policy-makers are preoccupied with debt to the exclusion of almost all other issues; and the Bank does not help its own cause by deliberately fudging some of the more alarming implications of its population analysis for current hopes about a satisfactory resolution of the debt crisis. But for anybody interested either in what the world may look like in the 21st century or in how the major Third World borrowers may behave towards their creditors in the next decade, it is well worth reading between the lines.

Some of the difficulties of economic management in countries whose populations are growing by 2.5 per cent a year like Brazil, 3 per cent like Nigeria or even 4 per cent like Kenya, are obvious enough. On current trends Brazil's population will not stabilise until it reaches 304m, and Kenya's will increase nearly tenfold to 153m in the next century. Simply to prevent their people sliding even further into poverty, these countries require significant real economic growth rates—a fact which must always be borne in mind when assessing what might otherwise seem enviable growth figures.

Subterfuge

When viewed in per capita terms, the economic projections in the report are extremely discouraging for some parts of the Third World: even on the most favourable assumptions about both domestic and international policies, per capita incomes will continue to decline in Africa between 1985 and 1995, after falling precipitously, by over 15 per cent, since 1973. For other groups of countries the World Bank's figures look more bullish at first sight, but partly because of an institutional subterfuge.

The Bank, like the International Monetary Fund, refuses to publish forecasts for individual countries. Instead it groups all Third World countries into several categories, by their degree of economic development. This means that dismal projections for countries with poor medium-term prospects, such as Brazil and the Philippines, are concealed within averages which include the rapidly growing economies of East Asia.

But the arithmetic of per capita growth forecasts is not the only linkage between population growth and debt servicing prospects; for, as the analysts in the World Development Report implies, demographic change affects all aspects of developing countries' policies, including the economic mismanagement without which the debt crisis would not have occurred. The need to keep running just in order to stay still at a time of worldwide recession was one of the reasons why countries with traditions of reasonably competent economic management like Brazil, Kenya and even South Korea embarked on risky experiments with debt dependency. The rapid growth of population has posed demands for government spending for education and rudimentary welfare facilities far beyond the public spending pressures which are so hard to resist even in rich industrialised countries. Even the micro-economic policy decisions on agricultural pricing and exchange rates for which many developing countries have justifiably been criticised are partly related to demographic developments. The explosive expansion of rural populations has pushed millions into cities which are already overcrowded, has disrupted traditional agricultural methods and has encouraged governments to pacify their people with cheap imported food.

None of these considerations excuse the policy mistakes made by many developing countries, especially in Africa and Latin America, over the last 20 years. The very fact that some countries with export-oriented policies have continued to grow throughout the recent world-wide economic crises shows how much can be achieved through the sort of measures now being imposed by the IMF and recommended by the World Bank. But all the most successful countries have made great strides in controlling their populations. Other Third World countries which fail to do so will remain poor as far ahead as the eye can see.

Kohl government makes progress

DR HELMUT KOHL became Chancellor of West Germany in October 1982 because his predecessor, Herr Helmut Schmidt, could no longer deal credibly with two problems: the budget deficit and growing doubts on the left wing of Herr Schmidt's own party, the *Social Democrats* (SPD), about Nato's nuclear policy.

Dr Kohl's coalition has made solid progress with the budget, as can be seen from the draft proposals for 1985 tabled in Bonn last week by the Minister of Finance, Dr Gerhard Stoltenberg. But it would be idle to pretend that even in this field, the call for a lesser state role in the economy, heard so loudly when Dr Kohl took over, has been fully put into practice.

With the Social Democrats in opposition, the argument about cruise and Pershing weapons conducted among them has become less immediately important. Deployment of the missiles has gone ahead with surprisingly little fuss but the consensus on defence policy that had existed between the main parties—the SPD and Dr Kohl's Christian Democrats (CDU)—has broken down. The implications for the future of West Germany remain to be worked out in detail.

Dr Stoltenberg's achievement has been to hem in the growth of public expenditure which had got out of band in the 1970s under the twin influences of the demands of the welfare state and the secular reduction of growth rates in western Europe. During 1984, federal expenditure is likely to remain behind the original budget estimate.

But much remains to be done if the Kohl government is to live up to its liberal principles. The Chancellor's decision to make good from German sources the loss of income threatening German farmers from changes being made to the Common Agricultural Policy of the EEC shows that holy cows have remained holy cows. A bad example has been set for other members of the Community. The acid test, in any case, is yet to come: the new policy in Bonn has not so far had any worthwhile impact upon unemployment.

In an important sector of the relationship between Nato and the Warsaw Pact, that of relations with East Germany, the Kohl government built on foundations inherited from its predecessors. The SPD-Free Democrat coalition had put relations with East Berlin on a realistic basis. That made possible last year's tacit deal by which West German banks extended credit to East Germany while East German officialdom displayed a more humane attitude to citizens wishing to emigrate to the West. A similar tacit deal seems to be about to be completed.

Not long ago the German-German get-together might have raised eyebrows or worse in many European capitals. Even now it is an obvious guess that President Mitterrand's offer of a closer French-West German defence tie-up was encouraged, among other things, by the thaw between Bonn and East Berlin.

But fears on that score are out of date in the 1980s. Moscow would not have acquiesced in the limited German thaw if it had not been certain of its hold over East Germany and the East German leader, Herr Erich Honecker.

Even though their impact can be made slightly less inhuman, the realities created in Europe by the last war will not be changed by the halting and limited *rapprochement* between Bonn and East Berlin. Moscow knows that, and so do the western powers.

It is another question whether that realisation has also sunk in on the left of the Social Democrat Party or among the West German Greens. The SPD always has had a streak of neutralism, which has been greatly broadened by fears of nuclear war.

These people are not in a majority in the SPD even today.

For the western alliance it is important that they never should be, because the SPD, even after its setbacks in the European elections, is the alternative government in Bonn. Nothing is more likely to prevent the SPD drifting off towards the left and towards neutralism than success for the economic and fiscal policies undertaken by the Kohl government.

Party challenge to Australian Prime Minister

Hawke faces his next big test

Michael Thompson-Noel reports from Sydney

Bob Hawke: has trampled on party dogma

CAN Bob Hawke keep it up? The Australian Prime Minister has enjoyed such a charmed run that he may feel the trials this week in his first big political test since his impervious accession 16 months ago. On the other hand, the Hawke confidence is so great, and his stock so high, that he may swat doubts as he would a fly.

The challenge will come not from the Liberal-National Party opposition which, under the faltering leadership of Mr Andrew Peacock, remains rudderless and impotent, but from the left-wing of Mr Hawke's ruling Australian Labor Party (ALP). It will come at Labor's biennial national conference in Canberra, starting today.

In March last year, Mr Hawke demolished Mr Malcolm Fraser's Liberal-National Government, and swept Labor to power. Apart from the traumatic reign of the Whitlam Government a decade ago, Labor's current turn at the helm is its first taste of power since the Chifley Government lost office in 1949.

Labor is grateful to Mr Hawke —but not overawed. In some areas, particularly uranium, Mr Hawke has trampled on party dogma. He has done so with the larrikin's natural haughtiness, and with a regal flip of the whip, which have helped demonstrate how Mr Hawke's power and appeal easily transcend ALP sectionalism and party political boundaries.

This is good and bad. It is good for Mr Hawke, whose consensus politics, and talk of "national healing" — above all, his prices and incomes accord with the trade unions — have produced a 16-month respite for the economy, and boosted business confidence.

But it is bad for the ALP left, which is furious with Mr Hawke's stand on uranium, and other issues, and will attempt to subvert his authority in Canberra this week.

In many ways, the ALP conference will be a friendly affair, even for the left, for the last 16 months have quelled most fears about Labor in power.

In many ways, the ALP conference will be a friendly affair

The economy is about three-quarters into a recovery. Labor's pay and prices pact with the Australian Council of Trade Unions (ACTU) is still intact, Mr Hawke and Mr Paul Keating (his Treasurer) have adopted a conservative free-market approach that has cheered industry leaders. And Labor has moved with an alacrity that some find astonishing to liberalise the financial system and nudge the Australian banking market into the late 20th century.

Above all—though much less heralded—Labor is wrestling with Australia's most urgent problem: industrial restructuring and the fostering of high technology. This is well overdue. Australia, says Mr Barry Jones, its Science and Technology Minister, is an industrial museum whose exports (mainly unprocessed minerals and farm products) are measured in tonnes, while its high-tech rivals are measured in grammes —a predicament that sees Australia languishing very near the bottom of the table of OECD technology-based exports per capita.

The minutiae of OECD data will not interest left-wing delegates at this week's conference. They want blood on the floor, preferably Mr Hawke's. They are unlikely to get it. But their baying will be loud, and will remind observers that, at some temperatures, the Australian Labor Party has a capacity to self-destruct.

Uranium is the big umbrella issue. Since the end of the Vietnam war (in which Australia fought) the mining and export of uranium has united many factions: environmentalists, pacifists, unilateral disarmers, some trades unionists, and a rag-tag of far-left and near-left activists on a variety of issues.

Australia has one third of the West's low-cost uranium resources. In recent years, uranium has become a major export item. Sales rose from A$70m in 1978 to A$362m (£232m) in 1983, and could grow to more than A$1bn by 1993.

Mr Hawke says he wishes the "bloody stuff" had never been discovered, but believes that as it has, it should be carted and sold—particularly in the case of the giant Olympic Dam find at Roxby Downs, in South Australia, the world's biggest uranium discovery, where the partners (Western Mining Corporation 51 per cent, BP Australia 49 per cent) have identified a large amount, not only of uranium, but also of gold, silver and copper.

Last Wednesday, an ALP committee formulated a pro-uranium motion for this week's conference based on the parliamentary ALP caucus's own moderate policy line.

The Cabinet would prefer to open up the uranium mining industry, and let market forces prevail. It will not get its wish. But Mr Hawke's pro-uranium stand will be almost wholly vindicated if the motion is approved. It would permit Australia's existing two uranium mines, Ranger and Nabarlek, to negotiate new sales contracts, and would signal a go-ahead for Olympic Dam.

On the other hand, the ban on sales of uranium to France would remain in force, because of French nuclear testing in the South Pacific.

The pro-uranium cause was aided last week by a strong intervention by Mr Bill Hayden, deposed by Mr Hawke as ALP leader in February last year, but now Labor's Foreign Minister and a prominent member of the ALP centre-left faction formed earlier this year.

The factional line-up at this week's conference is put at 41 for the left (which apart from uranium, is against foreign banks, favours a tougher line with Indonesia over East Timor, and higher protection for industry); 28 for the centre and centre-left (which are basically pragmatic, but will demand social reforms when the economy is stronger); and 30 for the right (whose most prominent members are Mr Hawke and Mr Keating). On some days, the factional line-up oscillates and wavers, and indeed breaks down.

Labor is by no means envisaging a full opening up of the uranium industry. In addition to Ranger, Nabarlek and Olympic Dam, there are seven other significant discoveries awaiting development. They include Jabiluka, in the Northern Territory, on which the partners, Pancontinental Mining and Getty Oil, have already spent more than A$50m.

These finds are still blocked. But because of the motion adopted last week, plus Mr Hayden's intervention, it is probable that Labor this week will adopt a pro-uranium policy, with Mr Hawke and the right, aided by the centre, winning by about 10 votes.

The key will be the extent to which Mr Hawke feels it necessary to abandon, however briefly, his posture as a consensus Prime Minister who is outside party politics, and dirty his hands in sectional wrangling.

The importance of the Hawke revolution is that Mr Hawke has no real power base within the ALP, even though he was party president from 1973 to 1978. Nor does he have one within the unions, though he was president of the ACTU from 1970 to 1980, and a famed settler of industrial disputes. It was that reputation that enabled him to develop unrivalled contacts with business, and explains the consultative approach that has so endeared his Government to industry and business.

Mr Hawke's credibility, and political virility, derive strength from direct community appeal. Australians are basically conservative, preferring patriotism to party. Hence the irresistible appeal of Mr Hawke's claim 16 months ago that he would end what he called Mr Fraser's "politics of confrontation and divisiveness" by emphasising a "sense of common purpose."

In addition, Mr Hawke's charisma and empathy give him special cross-party appeal that, according to the polls, makes him Australia's most popular Prime Minister. His latest approval rating: 69 per cent to Mr Peacock's 31 per cent.

Mr Hawke has a strong television presence, though his lack of reserve sometimes leads to disdainfulness.

His speech (he produces the definitive "Gidday"); his background (preacher's son, Rhodes scholar, cricketer, labour lawyer, union power broker, ALP president, national hero and fearless foe of Mr Fraser, whom he reviled); his common touch; and his distinctively Australian qualities (sports fanatic, former womaniser, former drunk, best mate) all put him above the political ruck.

In many ways, Mr Hawke is a model for other Labour leaders in the West, such as Neil Kinnock, in Britain, and David Lange, leader of the New Zealand Labour Party, who fights a general election at the end of this week. Unfortunately for them, Mr Hawke is unique.

Since its accession, the Hawke Government has won good marks on most fronts

Since its accession, the Hawke Government has won good marks on most fronts. The economy, though awaiting a genuine pick-up in international trade, has recovered from the depths that so shook Australians' complacency 18 months ago.

The Treasurer's growth target of 10 per cent to June 1984 (though from a very low base) should be attained, boosted by strong public sector consumption and investment. Employment growth to March 1984 was 210,000. Housing starts are well up. Exports have grown steadily, though imports have jumped dramatically.

The gross operating surplus of corporate trading enterprises stands at 16.2 per cent (its best since late 1973). Inflation in the 12 months to the March quarter 1984 was 5.9 per cent, against 8.6 per cent in the year to December 1983.

The Government's 1984-85 budget deficit is expected to be pitched at about A$7.2bn, against about A$8.7bn in 1983-84. And with an early general election in view at the end of this year, next month's federal budget is virtually certain to contain income tax cuts.

In addition, the accord with the unions is firm, though some employers resent the return to centralised wage-fixing, and say there is a distinct danger that wages growth will accelerate next year as some unions, quoting well-established recovery, treat wage indexation as the footstool on which to prop excessive real wage increases.

Another worry is the absence of a revival in business capital spending, particularly in mining, which lives on boom to bust, and which will have viewed dimly last week's fall in international metal prices.

On other fronts, Labor's floating of the dollar, and its freeing of the financial sector, plus its readiness to welcome foreign banks—a move that has not yet materialised—has won it kudos.

On the industrial front, Labor has grasped the nettle, albeit by the stem. Mr Jones, the Science Minister, says Australia is in "deep trouble." Its brain - based exports are negligible, and its infrastructure antiquated. It has a branch office mentality. Australian industry, says Mr Jones, was programmed not to specialise, and not to excel. It has an enervated management class that does not read and barely travels, and a workforce whose main aim is to get to the beach ahead of the traffic. Hence the expression, poor little rich country.

Though Australia has been regarded as a world leader at plant genetics, immunology, obstetrics, earth science, radio astronomy and astrophysics, says Mr Jones, the Australian Government spends slightly less on research and development than Eastman Kodak.

The Hawke Government has taken steps to launch a high-tech venture capital market, and compiled a draft national technology strategy. A crucial aim is to galvanise moribund private sector R and D.

Mr Hawke claims that his Government has a record of which it can be proud. "For example," he says, "I believe Australia is now a more cohesive society, one in which we are all more prepared to communicate and co-operate with one another to achieve common goals."

Question marks remain over political maturing, ego and temperament

So can Bob Hawke keep it up?

His ability to weave consensus at this week's ALP conference will clearly signal his ability or otherwise to dampen factional wrangling, tame the left, and steer Labor on to a course that could keep it in power until the 1990s.

The big question marks are over Mr Hawke's own political maturing, ego, and temperament. His critics still regularly forecast a return of the Hawke demon, and an attempt at fashioning a new Labor Party that each social reform.

In the view of one observer: "Consensus and nationalism have been his indispensable tools. Much will now depend upon how office further changes the man. It can accentuate his natural strengths or further tempt his weaknesses. Hawke is a unique product of Australian democracy. Perhaps, because the public identifies so closely with him, Hawke's progress will reveal our own future as a nation."

By any other name . . .

Shintaro Abe, Japan's foreign minister, is carrying as an aide-memoire on his visit to South Korea a list of the names of dignitaries to meet. He is hoping to forestall a faux-pas, not in identification, but in pronunciation.

Abe is inaugurating a subtle change in Japanese protocol—from now Korean and Chinese proper names are to be pronounced in the vernacular form, and not as if they were Japanese words.

So Abe will address South Korea's ruler as "Chun Doo Dwan" rather than "President Zen To Khan" which is how the president's name would be pronounced if he were Japanese.

In spite of Japan's now friendly relations with China and South Korea, symbolic incidents, such as Japan's editing of its school textbooks, revive memories of past hostilities. "Japanisation" of Korean proper names has been another touchy subject.

One Korean pastor unsuccessfully sued NHK (Japan's equivalent of the BBC) alleging that his civil rights had been violated by a broadcaster who pronounced the pastor's name in Japanese rather than Korean form.

With South Korea's President Chun due to visit Japan soon, Japan's adoption of vernacular Chinese and Korean pronunciations is one soothing gesture—South Korea would also like the onolnoinoinoinoinoin oin oin ii Japanese to cease the compulsory fingerprinting of foreign residents, most of whom are Koreans.

Abe has a nice diplomatic explanation for his move. When he met U.S. Secretary of State George Shultz Abe was trying to explain his meeting with Chinese leader Deng Xiao Ping, but Deng's name in Japanese became "Toh Sho Hei."

This caused a momentary panic for a U.S. interpreter who thought that a new and unknown strong man had walked on to the centre stage of Chinese politics.

Men and Matters

"Almost human—he seems to know that some people want to ban him from parks and raise the licence fee"

Quiet Americans

The joint company that defeated Sir James Goldsmith in his bid for Continental Group, the U.S. packaging, energy and forest products concern, has brought together two of the most retiring enterprises in a country where businessmen are not noted for their reticence.

Peter Kiewit Sons which is putting up 80 per cent of the equity in the enterprise set up for the takeover is a largish private business (sales of $1bn, profits of over $100m) which must be one of the largest worker-owned companies in the country.

The shares are evenly spread between 500 employees who are committed to selling their stakes back to the business should they leave.

The present shareholding structure of this 100-year-old enterprise based on Omaha, Nebraska, dates back to the death of Peter Kiewit five years ago and according to the governing rules of the business his estate sold back his dominant shareholding to the group. Since then there has been no shareholder owning more than 50 per cent.

Kiewit says very little about itself, but its traditional base is in construction work, especially tunnelling. It did the excavations for the San Francisco subway and has branched out into opencast mining in the mid-West, forming an alliance with Occidental Petroleum which has given it a part of the oil group's big coal mining project in China.

It has also been moving into portfolio investment to find a home, as it puts it, for its strong cash flow. Although Continental doesn't fit into this category, the group has talked in the past with David Murdock, its partner in the deal, about a possible joint investment.

Murdock is the largest individual shareholder in Occidental, but has other widespread interests. They range from bricks and tiles to the ownership of an antique shop in London and the Hay Adams Hotel opposite the White House in Washington. He also breeds Arabian thoroughbred horses.

Chamber music

America's "old boy network" has suffered a serious setback with a Supreme Court ruling that the all-male Jaycees, as the 7,400 Junior Chambers of Commerce in the U.S. are known, must allow women to join.

In a unanimous decision, the court has ruled that the 295,000-strong Jaycees cannot invoke their constitutional freedom of association to over-rule state laws banning sex discrimination.

It is not clear yet what effect the decision may have on the all-male membership requirements of some of America's other exclusive clubs.

The Jaycees were founded to give young men training in business and civic activities. Membership is restricted to businessmen between the ages of 18 and 35. The latest court case dates back to 1978 when the national organisation tried to close its Minneapolis and St. Paul cell after it was found to be admitting women.

The Jaycees defend their membership policy on the ground that only by excluding women can they accomplish their purpose, set out in their by-laws, of "fostering the leadership skills of young men." They argue that their purpose would be "effectively destroyed" if women were allowed in.

Health farms

Although the National Health Service has recently been obliged to make clear it does not usually employ veterinary surgeons, to help out with operations, it does admit to having two herdsmen.

It seems that the herdsmen —or possibly herdswomen — are retained on farms attached to older mental hospitals. They earn £76.26 a week. There are also 20 NHS farm labourers, earning £71.01 a week.

The days of the health (service) farms are, however, numbered: according to the Health Department, they are hangovers from a by-gone age and it is the Government's policy to sell them off.

Unfortunately, the department cannot at present reveal the whereabouts of its outdated farms. Its up-to-the-minute computer records are out of action because of a strike.

Observer

FOREIGN AFFAIRS: WAR IN SPACE

Shadow play won't be enough

By Ian Davidson

LET'S just take it from the top. The Russians do not want to negotiate about nuclear weapons in Europe because they have more of them, but the Americans do want to negotiate because they have fewer of them.

On the other hand, the Russians do want to negotiate about weapons systems aimed at space satellites (Asat), because they do have such a system which works (sort of), but the Americans do not want to negotiate because they do not yet have a system which works.

Now the U.S. Congress says that President Reagan can only have the money to develop an Asat system if he promises *faithfully* to try negotiating about it with the Russians, even though the Congress knows that he is against such negotiations because he says they would be against the national interest.

Surprise, surprise. When the Russians again say they want negotiations on Asat, in Vienna in September, President Reagan says yes, but he also wants to talk about nuclear weapons—though he is not laying down preconditions. Then the Russians get *really* angry, launch into an anti-American tirade, assert that Washington has rejected their offer—but carefully point that the offer has not been withdrawn.

Confused? Don't worry. As the man said, if you're not confused, you haven't understood the problem. Question is, are the Russians and the Americans confused as well?

First teaser: do the Russians really want negotiations in Vienna in September? Speculation suggests a double answer: yes and no. Yes, because the emerging American system looks like being vastly superior to the existing Soviet system, so they want to get a handle on it; no, because they cannot stomach the Reagan administration and want to do nothing to help him get re-elected. In the event, it looks like the yes reasons proved stronger than the no.

The Russian system is rather a lumbering affair: a vast rocket lofts a killer satellite into space; within one or two revolutions of the earth it manoeuvres alongside the target satellite, and then explodes. It has been tested at least 20 times—nine times successfully. Since last summer, the Soviet Union has claimed (probably *truthfully*) to be observing a moratorium on further testing; but the system does work, up to a point, and could pose a threat to America's low-altitude satellites.

The emerging American system is based on quite different principles. An F-15 aircraft carries a rather small missile up into the sky and fires it; a homing device locks on to the target satellite and smashes into it at colossal speed, destroying it by impact rather than by explosion. One dry-run firing took place at the beginning of this year; a semi-real target test is scheduled towards the end of the year.

Nobody knows whether the American system will work well. If it does, it is obviously a much quicker way of knocking out satellites than the Russian system; but the task of intercepting a rather small object in space, which has an orbital speed of about 8 kms per second, is obviously very demanding from a technological point of view. One might suppose the odds were loaded against it.

Technological wonders never cease, however. In the middle of last month, the U.S. fired a ground-launched missile, tipped with a miniature homing device similar if not identical to that on its Asat weapon, and successfully intercepted and destroyed an in-coming Minuteman missile. Previous tests had failed; it now looked as though the U.S. might be cracking the interception problem. Three weeks later the Russians renewed their call for negotiations, this time with a specific date and place.

To the surprise of everyone including, obviously, the Russians, the Americans said yes, immediately. Cynics speculate that this was because Richard Perle, arch-hawk at the Pentagon and known to his critics as the Prince of Darkness, was out of town at the time; he was in fact in Bonn belabouring the German SPD party for its lack of Nato solidarity. But be that as it may.

The reason the Russians raised the ante for Asat talks was not, I suppose, just that the U.S. looked as if it might be winning the race in Asat technology, but rather that the Russian satellite system is much more vulnerable to attack than the American satellite system. The Soviet and U.S. Asat weapons could only attack satellites in relatively low circular orbit, up to a height of a few thousand kilometres from the surface of the earth, or which come fairly close to the earth in a highly elliptical orbit. Geostationary satellites, which are parked in a fixed position in relation to the earth, are 36,000 kms away and out of reach of current methods.

A very high proportion of Soviet satellites are in low orbit, *including many communications satellites*; whereas a much larger share of the U.S. satellites are in high orbit. It may be that the U.S. depends more heavily on satellites, because of the ocean which divides the Atlantic Alliance, whereas the Soviet Union has the advantage, in communications, of being a continental land-mass. Nevertheless, the Soviet satellite system is more exposed to attack, especially if the U.S. acquires a quicker and cheaper method of attacking.

There is a third reason for possible Soviet anxiety: the obvious technological connection between the emerging U.S. Asat system and the Reagan administration's programme for an anti-missile defence, popularly known as Star Wars, but officially entitled the Strategic Defence Initiative.

Under the 1972 Anti-Ballistic Missile (ABM) treaty the superpowers limited themselves to two ABM locations on each side, one for the national capital, the other for one Inter-Continental Ballistic Missile (ICBM) base. Two years later, they reduced the number to one each. The Russians have kept their system in being, but the Americans had so little faith in the effectiveness of theirs that they mothballed it; it is unlikely that the Russian system is any better.

The question raised by the recent test is whether the U.S. could acquire a partially effective ABM system.

One of the charges against the SDI programme is that it would be a total violation of the ABM treaty, arguably the single most important arms control agreement between the superpowers; even the attempt to create such a system implies a deliberate intention to overthrow that treaty. A single ABM site would not be a violation; but it could look like the first piece in a very worrying jig-saw puzzle.

So it is easy to see why the Russians want to negotiate limits on anti-satellite weaponry: not merely do they want some reassurance for their own, more vulnerable satellites; they also want to secure limitations before the Americans have perfected their new system; and if they can spike the new U.S. intercept device, they will simultaneously have put a hobble on its application as an ABM system.

Politically, the timing looks odd, at first sight. The Russians cannot want Ronald Reagan to be re-elected; they know he is vulnerable domestically to the accusation that he has undermined the arms control process; the inauguration of a new negotiation between the superpowers in the weeks leading up to the election can only be good for Mr Reagan—it gives him just enough time to claim credit for the negotiations, but it does not give the Russians enough time to secure any American concessions before election day.

On the other hand, the Russians are in a bind. If Walter Mondale were elected, he would probably abandon the Star Wars programme unilaterally, cut the defence budget, and agree to Asat talks. The trouble is that, at this stage in the game, Mr Mondale seems to have only a minimal chance of winning. If the Russians assume that Reagan will be the heavy favourite for November, they know they have a much better chance of getting him to the negotiating table before the election than after it; once re-elected, he would be likely to revert to his previous position that Asat negotiations are not in the U.S. national interest.

Now that the U.S. has abruptly said snap to the Soviet invitation, it seems almost inevitable that the talks will open in Vienna in September; in public relations terms if in no other, neither side can afford to back off. But since President Reagan has already declared his real views on Asat negotiations, the prospects for substantive movement might seem rather unpromising.

Yet it will be difficult for Ronald Reagan to confine himself to empty shadow-play for the purpose of deluding the American electorate: he will also be under pressure from the European allies to adopt a negotiating position which is both reasonable and negotiable, for they have been unremittingly critical of the dangers of a new arms race in space.

By now it is too late to outlaw any Asat systems, because the Russians already have one, and there is virtually no way to verify its dismantlement. On the other hand, tests of Asat systems are observable and thus verifiable. On grounds of equity, and for reasons of paranoia, the Reagan administration cannot be expected to agree to limits on Asat testing until their system has been made to work. So a plausible compromise might allow the super-powers to test one low-altitude system each, but ban any tests against high-altitude satellites; and that is what the French government has proposed in a paper submitted to the general-purpose United Nations Disarmament Conference in Geneva.

The interesting question is this: what else will the superpowers talk about in Vienna apart from the Asat issue? The Americans have said they also want to re-open the nuclear weapons negotiations that the Russians walked out of at the end of last year; but since the Russians have said no, that particular gambit may not get very far.

So will the Russians try to enlarge the agenda, by bringing in other aspects of space-based warfare—for example, the American Star Wars programme? Here there is an interesting pointer, in the shape of a one-sentence paragraph inserted at European insistence in the communique of the recent ministerial meeting of the North Atlantic Council: "The Allies welcomed the willingness of the United States to discuss with the Soviet Union research programmes on strategic defence."

Lombard

Too much of a good thing

By Samuel Brittan

THE "financial industry" is probably one of the most rapidly growing industries in both the U.S. and Britain. This is perhaps less surprising in Britain where the City has long maintained a role disproportionate to the country's relative standing in world trade and production. But finance in the U.S. has been one of many growth activities, and if it really is now beginning to involve an excessive proportion of the country's resources and brain power, it is time to worry.

Of course financial markets perform vital services. If there is to be any private ownership of industry or holdings of long-term debt, there must be a secondary market in which titles to these assets can change hands. A modern economy also needs a money transmission mechanism and some mechanism for using surplus saving to provide business, housing or consumer loans. Rather less obviously, a futures market in which prices can be quoted for products or securities at dates far ahead helps economic efficiency.

The doubt that springs to mind is not whether financial markets are needed, but whether what is essentially a second order and facilitating activity is growing at the expense of the direct production of goods and services which the economy exists to provide. An analogy would be if more people were employed as real estate dealers or estate agents than in building or improving homes (perhaps more are).

These doubts have been strengthened by reading the 1984 Fred Hirsch Memorial Lecture by the Nobel prize winning economist James Tobin (Lloyds Bank Review, July 1984). Tobin was impressed by a report that of 46 business executives with emoluments last year of over $1bn, some 16 were officers of financial companies; and he explains why both the number of high salary earners and the proportion in financial companies are considerable underestimates.

Tobin reports that 40 per cent of recent graduates of Harvard's School of Organisation and Management went into finance.

There is, of course, a standard free market answer to these worries. This is that financial markets could not grow so quickly and pay such high salaries if there were no customers willing to pay: eg, investors willing to pay the middlemen of the securities or insurance industries or depositors willing to put funds into banks at interest rates which fall well short of what bank borrowers are charged. Anyone who thinks that financial intermediaries are bloated is free to try to provide a more slimline service.

Such considerations should be a warning against hasty intervention, not against the posing of questions. Not all markets work as efficiently as they might, whether the sources of inefficiency are facts of nature or unwise government rules and regulations.

Take for instance the speculations on the speculations of other speculators. These are called "bubbles." They dominate the prices of gold and collectors' items, but they also affect equities, long-term bonds, foreign exchange, futures markets and real estate. Tobin remarks that the proliferating new options and futures markets do not stretch far into the future and serve mainly to provide "opportunities for speculation and financial arbitrage."

To say that financial markets become distorted does not imply that governments would be very good at improving them and I would not share Tobin's enthusiasm for intervention. Indeed I would criticise the British Chancellor and his advisers for devoting too much of their energies to the regulation of the securities market. I was pleased to see Nigel Lawson move away from narrow Treasury preoccupations in his recent Bow Group Speech and talk about the affairs of other departments, as the senior economic Minister surely must. But I wish he had moved into Department of Employment matters rather than the financial regulatory activities of the DTI. For if there are markets which cry out for official attention, it is not the financial markets but the labour markets; and as I try to explain to my gilt-edged friends, unless the labour market does a better job in providing jobs, there will be no financial markets left about which to pontificate.

Letters to the Editor

Fiscal law reform

From Mr D. Tallon.

Sir,—Tim Eggar's article (July 4) covered most of the problems of getting decent finance legislation on to the Statute Book but failed, I suggest, to do more than tinker with solutions. Assuming that we are not going to get technical bills, despite the former Chancellor's support for them in opposition, then, surely, the time of the Committee is better spent on considering the political aspects of the legislation than the drafting.

The publication of draft clauses has not always proved a very satisfactory method of exposing the technical aspects of proposed legislation. Too many have been the subject of very substantial revisions and this is a mark of the failure of the experiment rather than of its strenght. The Inland Revenue and special interests have very quickly been put into a public adversarial stance. And in order to get round this there has been a tendency to resort to private discussions with affected groups before publication.

It is this process which needs to be formalised as it points the way to the only hope for well-thought-out law. At the present time the Inland Revenue propose and there is a knee-jerk reaction to oppose.

Surely the best solution would be to have a permanent fiscal law reform committee, chaired by the Treasury and composed of representatives of the Inland Revenue, the legal and accountancy professions. These are the people who have to work with the system and explain it to the general body of taxpayers. With (mainly) seconded staff such a body could produce some order from the ramshackle edifice of current legislation as well as ensure that new draft clauses made some sense.

Perhaps, also, they could ensure that changes to *existing* legislation were effected by the withdrawal of old sections and schedules and re-statement in the new form. This, alone, would produce some simplification of a highly desirable kind.

Whether or not such reforms would give more coherence to committee consideration of a Finance Bill is a matter for Members alone. But it *might*, conceivably, allow Government back-benchers to get in a word edgeways as well as allow *all* members to consider policy matters such as the chalenge of the House of Lords judiciary to the House of Commons' supremacy in revenue-raising matters.

D. S. Tallon,
Dearden Farrow,
1, Serjeants' Inn, EC4.

Portable pensions

From Mr R. Colbran

Sir,—John Craddock writes from Legal & General (June 29) about its proposals for contracting out of the state scheme by the use of personal portable pensions. To anyone who has actually read their booklet on the subject the suggestion that "the option could be offered without undue complexity and cost" must be described as completely unrealistic.

What Legal & General has done is to work through the essential requirements for such an option and show clearly (a) that it is far too complicated for practical use, (b) that the ordinary member is most unlikely to understand it, and (c) that the financial options should not be accepted by Government. In doing this it has performed a useful service. The danger as illustrated in your report (July 2) is that someone in official circles will take the idea seriously. There seems no limit to the complications which the Secretary of State and his officials are prepared to inflict on what should be the simple process of saving for old age.

R. B. Colbran,
Martin Paterson Associates.
10 Buckingham Place, SW1.

Great British breakfasts

From the Chairman,
Boxfoldia

Sir,—I was interested in a snippet of news on June 28 "Poll says motorway food is poor value."

Recently, I happened to visit a public house/restaurant one Saturday morning on a trip visiting botanical gardens, and because I enjoy a bacon-and-egg breakfast I demanded that, as I do at most places if there is time for it. That pub produced a superb plate of bacon—not short-back but streaky, but it was not salty (as such so often is), it was well-cooked and hot, and they produced also a fried egg, as I had asked for it, with the yolk under-done. That plus a couple of slices of bread cost me 68p. I could not imagine better value.

Two weeks later at a motorway service station I ordered virtually the same dish, except that the bacon was short back, and had it been hot would have been very good, but two slices only (against six slices of streaky) plus a rather over-done griddled egg. At £2.40 it was rather less than good value.

Dr Beryl Foyle.
Bournbrook,
Birmingham.

Absolutely no sentiment

From Mr G. de Botton

Sir, — I am less amazed by the tenacious survival of fallacies in economic analysis than at their appearance in the august columns of your leader (Saturday, June 30). Forward rates never reflect sentiment. They reflect, arithmetic spreads between interest rates. Nothing, but nothing, else.

Gilbert de Botton.
Global Asset Management (UK) Ltd.,
66, St James's Street, SW1.

Censoring the Press

From the National Officer,
National Graphical Association

Sir,—I am moved by the report in your paper (July 4) of a speech made by Mr Kenneth Baker, which indicated that the print unions were seeking to impose a censorship on the Press by their right of reply campaign.

It may be said very briefly that such a campaign would not be necessary if you, the editor, and your journalists were to follow the advice offered by Her Majesty's Government through the medium of the Careers Booklet on Journalism No. 83, published by HMSO which cites that a journalist's responsibility is, and I quote, "a journalist must not for example present comment as fact: write a report be knows to be false, eg by omission of certain facts; fail to rectify an inaccuracy by publishing a correction in such a position that it is virtually worthless: refuse space for the right of reply; fail to honour a confidence: or write a letter or story at the behest of an advertiser or for any other material gain."

I do recognise that the same booklet dictates that the editor's responsibility is in conjunction with the proprietor to determine the policy of a paper and what opinions it will express towards controversial subjects, and this latter point clearly, in view of the ownership of the Press currently, flies in the face of the journalists' responsibility or indeed their ability to pursue what is generally conceived to be fair reporting.

Much more of course could be said on the subject of the right of reply and many examples given where such rights have not been forthcoming, but to suggest that the activity of the trade unions currently is in any way censorship, is to ignore the fact that for far too many years you have failed to put your own house in order.

G. Jerrom.
63-67 Bromham Road,
Bedford.

The right to reply

From Mr A. Hallsworth.

Sir,—You report (July 4), Mr Kenneth Baker's attack on the Fleet Street unions over the right to reply. One feels sure that given a little more time he could have come up with a better analogy than that of a waiter choosing what will be served to *the customer*. Surely the right to reply does, or should, involve a widening of what is on offer to the customer not a restriction of choice.

It would be easy for the unions to suggest that their *role* is as the waiter who has seen what really is cooking in the kitchens and is insisting that the full menu be displayed, not just the items that happen to appeal to the restaurateur.

A. Hallsworth,
9 Alsford Road,
Purbrook, Portsmouth, Hants.

Universities and industry

From the Vice-Chancellor,
University of Salford

Sir,—In your report (June 28) of a speech I gave to the Confederation of British Industry you appear to quote me (in the headline) as saying that Science Parks "threaten relations between universities and industries." I did not say that (as examination of the text, will show) neither do I believe it. What I do believe, and said, is that Science Parks will work well where there is a good and close relationship between a university and industry but that they are not a substitute for that good and close relationship and their establishment *does* not necessarily lead to that kind of relationship.

(Professor) John Ashworth,
University of Salford.
Salford.

FINANCIAL TIMES

Monday July 9 1984

Terry Byland on Wall Street

Retreat into defence

THE SEARCH for defensive stocks on Wall Street has largely taken over from the previous concentration on growth opportunities in price, although fund managers often seem to apply the same criteria in both cases.

It makes good sense to look at companies with strong balance sheets, and which have established good growth records, no matter what the stock price may have done since the bull market peaked. And, since the burnt child fears the fire, it is not surprising that stocks which smack of phrases like "high technology" or "high-fliers" should remain friendless.

Stocks in the U.S. defence industry, which have declined strongly over the past six months, have now begun to attract the attentions of fund managers wanting the best mix of protection against further setbacks in the stock market and the best recovery opportunities when the market turns better.

The setback in defence stocks, ranging to nearly 40 per cent from the 52-week high points, has reflected public perception that the end of the defence build-up may be in sight. Nervousness has grown all the greater since the entry into the political area of the federal budget deficit.

The most Republican of investors now accept that a reduction in federal spending will be the first priority after the November presidential election – whoever wins. Defence, investors believe, can no longer be considered safe from the budget cutters.

Mr Hugh Johnson of First Albany has surveyed the prospects for the smaller defence technology companies which may actually benefit from cost-cutting measures. As heavy capital expenditure on missiles and battleships becomes less appealing, the armed services are likely to place more attention on advanced electronic warfare systems, on simulators which offer cheaper methods of training, and on surveillance equipment which reduces the obvious military presence.

In the batch of stocks meeting First Albany's criteria, several stand out by virtue of their relatively high price/earnings ratios, of 11 to 18 on an historic basis. This feature seems to reflect the widespread fall in stock prices in the sector rather than a close consideration of earnings prospects.

In the case of BDM International, an American Stock Exchange quoted group, which manufactures engineering and systems integration services, the fall from a high of $60 to $25½ has reflected a swift disenchantment on the part of the main institutions which bought the stock in 1983, when defence stocks were riding high.

Since its highly specialised area of war gaming and communications is likely to flourish even under a tighter defence budget, BDM's present standing in the marketplace seems unreasonably low.

Sales peaked at $151.1m in 1983, when earnings reached $6.3m. With earnings over $3m for the first half of this year on sales of $75m, the sellers of the stock may be forcing the pace too hard.

Order backlogs, which have in the past been a significant guide to future performance, now stand at $217,000, the highest in recent history. Like many of the Amex board stocks, BDM responds vigorously to institutional interest, and the price could recover quickly if the market turns.

Canadian Marconi, which is controlled by GEC of the UK, has lured better than most of its rivals in the stock market, but a fall of about 25 per cent in the price ignores a steadily rising trend in both sales and profits.

Once again, the significant factor is the steady growth in order backlogs to a peak C$300,000. The earnings multiple of 11 times fiscal 1984 earnings is ungenerous for a company which has pushed share earnings ahead by 209 per cent over the past four years.

Among the three largest of the defence electronics groups, E-Systems has taken heavy punishment as institutional holders have shied away from falling sales and ignored improving profit margins. Earnings are already standing at $26.9m for the first half of the current year, against $57.2m for the whole of the previous year. While order backlogs of $1m are already signalling a recovery in sales revenues.

The shares have fallen by nearly 40 per cent from their 52-week high, and stand on a multiple of 15 times last year's earnings.

It is a cardinal rule of investment in defence industry stocks that it is just as long and difficult a progress for a government to reduce defence expenditure as it is to turn a battleship. On the basis of their order backlogs alone, the defence technology issues should hold steadily on course for some time to come.

SOME BLOOD MAY BE SPILLED AT THE AUSTRALIAN LABOR PARTY CONFERENCE

Hawke sees backing on uranium

BY MICHAEL THOMPSON-NOEL IN SYDNEY

ANTI-URANIUM demonstrators gathered in force in Canberra last night as delegates arrived for this week's biennial conference of the ruling Australian Labor Party (ALP), which starts today.

Mr Bob Hawke, the Prime Minister, is expected, however, to secure party backing this week for a pro-uranium policy which gives approval for the world's biggest uranium project, the planned A$2bn (£1.3bn) Olympic Dam mine at Roxby Downs in South Australia.

The Roxby partners are Western Mining Corporation (51 per cent) and BP Australia (49 per cent).

Mr Hawke is expected to gain party support on a range of issues on which his right-wing Cabinet clashes with left-wing party opinion.

Apart from uranium, they include adoption of a softer approach to Indonesia, Australia's populous neighbour, regarding the takeover of East Timor, and the Government's support for the continued presence in Australia of U.S. space communications facilities.

Mr Bob Hawke

The ALP left wing wants to bar the entry of foreign banks and is also anxious for much faster expansion of the economy than that planned by the Government.

On all these issues Mr Hawke is expected to prevail, though there will be some blood-letting.

A key influence this week will be the impact of a new centre-left faction, the most prominent member of which is Mr Bill Hayden, the former ALP leader deposed by Mr Hawke in February last year.

Mr Hayden is now Foreign Minister, and supports the Hawke line on East Timor and on maintenance of U.S. communications facilities. Mr Hayden said yesterday it was imperative to steer Labor away from adopting "belligerent foreign policies and pacifist defence policies."

The arguments will be fiercest over uranium, of which Australia has the world's largest reserves.

A prominent ALP left winger, Mr Brian Howe, who is Minister for Defence Support, said yesterday: "The rank and file view of the Australian Labor Party is very strongly anti-uranium and would want to see the industry closed down or at least phased out within the foreseeable future."

Mr Hawke indicated he would not be worried if the voting was close. He said bookmakers paid "the same amount if your favoured steed wins by a short nostril as if it wins by the length of the straight."

With a general election expected at the end of this year – at last 12 months early – Mr Hawke needs to assert his authority this week, and retain his composure.

Any sign of undue concessions to the left would harm Mr Hawke's "national consensus" platform, and might revive the flagging Liberal-National Party opposition partners.

Talks with China, Page 4; Hawke's big test, Page 16

Caricom leaders seek IMF and World Bank help over debt

BY CANUTE JAMES IN KINGSTON

HEADS of Government of the Caribbean Economic Community have asked the International Monetary Fund to lengthen the period of its extended fund facility from the current three-years to five years.

At their summit in Kingston, Jamaica, the leaders of the 13 English speaking countries also asked the World Bank to increase the volume of funds to countries which are undertaking structural adjustment programmes.

The request was made during discussion on the region's debt problems. Heavily indebted countries were said to be facing "grave crises."

Jamaica and Guyana, two of the community's members, have been involved in protracted negotiations with the IMF, while Jamaica has implemented a structural adjustment programme with World Bank support.

Jamaica has a foreign debt of U.S.$3.1bn. Guyana, with foreign debt of $1.3bn, is the most indebted country per capita in the Americas.

The leaders have also asked that commercial banks prepare "meaningful programmes for rescheduling short-term debts."

The heads of Government said this should include an extension of repayment periods and a maintenance of net exposure in developing countries.

The conference said the indebtedness of Caribbean countries and those in other parts of the developing world "is such that most debtor countries are unable to cope."

The proposals suggest a greater role for the private sector, changes in exchange rates, moves to reduce import bills and cut domestic consumption and increasing production for export to improve hard currency earnings.

Conference sources have said, however, that the community's members will be selective in their implementation of the structural adjustment proposals, as some measures will not be needed by all 13 countries.

The economic community's leaders agreed on measures to end growing protectionism and revive intra-regional trade. Trinidad and Tobago, the group's richest member, has agreed to remove import barriers. The other members have undertaken to buy more goods from the country.

The meeting agreed on a formula to restart a $100m trade payments facility which has been inoperative since reaching its ceiling.

September election expected in Canada

By Bernard Simon in Toronto

MR JOHN TURNER, Canada's new Prime Minister, is expected to call a snap general election this week after a brief visit to Britain to discuss the possible postponement of the Queen's tour of Canada, which is to begin next weekend.

Mr Turner has scheduled a press conference for today, and speculation is rife that be has decided on an early September poll. If so, Parliament must by law be dissolved before the end of this week.

No details of Mr Turner's discussions have been released, but Buckingham Palace has indicated that the Queen will refuse to go ahead with her visit to New Brunswick, Ontario and Manitoba during an election campaign. According to one report, the royal tour will now take place in the autumn.

The ruling Liberal Party's campaign may get off to a sbaky start in the wake of reports that the Queeo is annoyed by Mr Turner's request to delay the visit. The royal tour bas been given wide publicity in Canada and preparations are advanced. However, postponing the election carries the risk to the Liberals of a deteriorating economic climate and public disenchantment with the new Turner government.

According to recent opinion polls, the Liberals are more popular among voters than they have been for several years, and have a fair chance of winning an election. The Liberals currently bold 145 of 282 seats in the House of Commons.

Meanwhile the opposition Progressive Conservative Party, whicb has 100 seats, has promised a radical revision of the controversial National Energy Programme if it wins the election.

In a policy statement, the party said that government grants for oil exploration in frontier areas would he replaced by more freely available tax credits. Provisions allowing the authorities to take a 25 per cent stake in new oil finds would be replaced by unspecified measures to raise the share of Canadian companies in the oil and gas industry. A levy on oil companies' revenues would make way for taxes on bottom-line profits.

The Conservatives bope to erode Liberal support in Quebec and southern Ontario. Mr Brian Mulroney, the party's leader, is working hard to persuade blue-collar workers and ethnic minorities, traditionally supporters of Liberal Party or the socialist New Democratic Party, that a Conservative government will create jobs and not dilute social programmes.

The Liberals are also likely to make job creation a key plank in their electoral campaign strategy.

Hopes for halt in sterling slide

Continued from Page 1

ties that interest rates had to be raised. The decision was "communicated" to the clearing banks oo Friday morning and the fall against the D-Mark was smartly reversed.

It is now clear that at sterling's current level, the authorities would be forced to react quickly to any further suggestion of a general rush out of sterling. However, the figure most closely watched at the Bank of England and the Treasury will be the pound's trade-weighted index, rather than the rate against the dollar.

That index, standing at 77.9 at Friday's Londoo close, is now 5¼ per cent below its level at the beginning of the year. However, although the pound is now at a record low against the dollar, its trade-weighted value is still 5¼ per cent above its all-time low of 74, reached in 1976.

The most recent indication is that the Bank of England would like to proceed more gradually than in the past – raising or lowering interest rates by a fraction of a percentage point rather than by large amounts like the 4 full points (in two stages) by which interest rates were raised in 1981 to check sterling's slide.

Whether the Bank can succeed in influencing the market by relatively small touches to the rudder will be put to a crucial test this week.

However, there is no indication at present that the authorities intend to step up their intervention in the foreign exchange markets. Mr Nigel Lawson, the Chancellor, is particularly sceptical about the use of that weapon and the Treasury generally believes that a rise in interest rates is a more efficient way to influence sterling.

The Treasury may, paradoxically, be strengthened in this policy by its current view that domestic monetary conditions do not require a rise in interest rates.

Consequently, it is thought, any rise would bave an undiluted effect in influencing the foreign exchange markets.

Nigerians may face expulsion from Britain

Continued from Page 1

yesterday at the Hertfordshire and Essex hospital where, despite improvements in a chest condition, he remained weak. He is expected to remain in hospital for at least another 24 hours.

Meanwhile, pressure is building up on the Government from the Opposition and Tory backbenchers to prevent a repetition of such incidents, particularly after the recent Libyan embassy siege.

Mr Ivan Lawrence, vice-chairman of the Conservative backbench bome affairs committee, said yesterday that if the Nigerians refused to waive diplomatic immunity, the Government should take the strongest possible measures.

"If that means breaking off diplomatic relations with Nigeria, I am sure the Government will have the bravery to do that," he said.

Developed world 'must beat inflationary fears'

Continued from Page 1

outward-looking, export-oriented economies have a superior performance.

"The challenge which now faces the Latin American countries is to shift from import and output cutting adjustment to growth-oriented export expanding adjustment," the report continues. It argues that the ability of countries to earn foreign exchange will largely determine if the debt crisis subsides.

The emphasis in the report on the central role that good policymaking plays in a country's performance carries over into the lengthy analysis of the world population problem, whicb is a powerful element of the report. The analysis sees signs that the rate of world population growth is beginning to slow since the mid-1960's, although it predicts that nevertheless the world's population will more than double from 4.8 bn to 9.8 bn by the year 2050, and that most of the growth will be concentrated in poor, developing countries.

It stresses, however, that population policy can make a difference. The slowdown so far, it says, has largely been a result of policies which China bas adopted to control its population. It points out that fertility in Colombia, where family planning programmes received government support from the late 1960s' has declined more rapidly than in Brazil, even though Brazil is a richer country and normally one would expect population growth to slow faster at higher levels of relative affluence.

In a strong plea for measures to control population, the report says that further declines in world population growth will not come automatically.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	S	23	73	Malaga	S	29	84	Salzburg	S	24	75
Akrotiri	S	27	81	Faro	S	25	77	Malta	F	21	70	Seoul	S	19	66
Algiers	S	36	97	Florence	F	30	86	Manila	S	39	102	Singapore	C	33	91
Amsterdam	S	26	79	Frankfurt	S	25	77	Miami	F	27	81	Stockholm	C	17	63
Athens	S	27	81	Funchal	S	22	72	Milan	F	24	75	Strasbourg	S	27	81
Bahrain	S	31	88	Geneva	S	26	79	Moscow	F	21	70	Sydney	F	19	66
Bangkok	S	32	90	Gibraltar	S	27	81	Munich	S	23	73	Taipei	C	33	91
Barcelona	C	26	79	Guernsey	C	16	61	Nairobi	—	—	—	Tangier	S	27	81
Beirut	S	27	81	Helsinki	S	21	70	Naples	S	28	82	Tehran	—	—	—
Belgrade	F	20	68	H. Kong	R	28	82	New Delhi	R	34	93	Tel Aviv	S	28	82
Berlin	S	23	73	Innsbruck	S	26	79	New York	F	24	75	Tenerife	S	29	84
Biarritz	C	21	70	Inverness	S	21	70	Nice	S	24	75	Tokyo	R	22	72
Blackpool	S	29	84	Istanbul	F	23	73	Oporto	S	20	68	Toronto	S	13	55
Bordeaux	C	23	73	Jersey	F	21	70	Oslo	S	12	54	Tunis	S	30	86
Brussels	S	21	70	Jo'burg	F	16	61	Paris	S	30	86	Valencia	S	27	81
Budapest	F	22	72	Las Palmas	S	25	77	Prague	S	21	70	Venice	F	21	70
B. Aires	C	12	53	Lima	C	21	70	Reykjavik	S	16	61	Vienna	S	21	70
Cairo	S	39	102	Lisbon	S	23	73	Rio de Jo	C	35	95	Warsaw	F	21	70
Cape Town	S	16	61	Locarno	S	24	75	Rome	S	26	79	Zurich	S	25	77
Caracas	C	27	81	London	S	17	62								
Casablanca	S	25	77	Los Angeles	Fg	18	64								
Copenhagen	S	20	68	Luxembourg	S	26	79								
Corfu	S	25	77	Madrid	S	32	90								
Dublin	S	21	70	Majorca	S	34	93								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Lagos oil demand

Continued from Page 1

that when ministers meet tomorrow they will attempt swiftly to reaffirm their official productioo ceiling of 17.5m b/d and the existing price structure.

The main proponent for the status quo will be Saudi Arabia, which some analysts feel may have overproduced deliberately in recent weeks to demonstrate to fellow Opec members the consequences for oil prices of additional Opec output.

Another possibility is that the Saudis simply misread demand, or that in common with much of the oil market, they overestimated the damage to liftings that would be caused by the escalation of the Gulf war into attacks on oil tankers.

The one Opec country certain to argue in Vienna for a rise in the official price is Iran, whose Prime Minister, Mr Mir-Hossein Mousavi, said in Tehran a week ago that the London decision to cut prices had led only to profits for "arrogant bosses."

For once, however, attention at the start of the Opec meeting does not focus upon the traditionally hawkish Iran, but on Nigeria, which is widely believed to have secured an undertaking from Sheikh Ahmed Zaki Yamani for an early increase in its quota

THE LEX COLUMN

Settling the cost of the miners

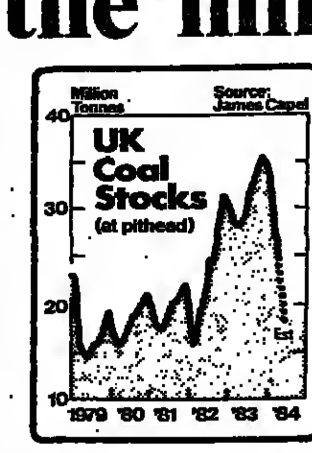
It could be one irony of the British miners' strike that reports of progress towards a settlement end up causing more wobbly knees in the City of London than has the strike itself to date. City analysis of the strike's impact has left the broking community almost purring with self-assurance. Adjustments to the big picture have kept the economists busy but still look of little consequence to the salesmen. As for the strike's effect on individual sectors, those bearing most of the burden are themselves nationalised industries – leaving the stock market free to enjoy its quiet conviction that Mr Scargill is going to lose, and sooner rather than later.

This helps explain why so few company earnings estimates have been downgraded and so few individual names widely canvassed as victims of the strike. This is not to say that the market did not very early on assemble a sort of identikit picture of the miners' spending habits. Package holiday operators, regional brewers, electrical retailers and others heavily committed to consumer credit – all those and more were identified readily enough.

But the companies deemed vulnerable because of a restricted geographical sales base appear to have had their shares rerated at the outset, often by courtesy of the local, regional broking firms. For the rest, expectations of a third-quarter end to the strike have underpinned the market's confidence that most larger companies will be able to carry their disappointing performances in the mining regions. This even seems true of the retail sector – though year-on-year sales growth in the Sheffield and Nottingham areas, for example, is beginning to emerge several percentage points lower than rates achieved in the south-east.

The same settlement expectations have kept the economists for the most part more concerned with delays to the timing of the economy's growth than with assessments of any permanent damage. April's sharp deterioration in the current trade balance looks attributable to heavy stockpiling and has not much affected present estimates of the strike's cost, generally set a little over £150m a month, to the current account. But the higher than expected sterling value of North Sea revenues and the strength of non-oil exports might well have been underestimated, deterring most brokers from projecting quite yet a current account deficit for the year.

Similarly, estimates of the loss of gross domestic product – which in most cases point to a 1 per cent fall



if the strike were to last most of the year and about half that if it ended within weeks – could be usefully offset by upward adjustments for the rapid growth in capital investment over the first half. As for the strain on the Public Sector Borrowing Requirement, additional gross costs of £65m-£75m a week appear easily containable by cash flow savings and the government's contingency reserve.

The fact remains, none the less, that rising base rates and sterling's difficulties have left the stock market in no mood to contemplate the less cosy prospects which some kind of compromise with the NUM might hold out. More would certainly be heard in that event about consumer credit problems in pithead areas. Ambiguous settlement terms might leave the City rather more concerned, too, about prospects for underlying growth in public-sector earnings, already well ahead of inflation. In the meantime, higher mortgage rates might presage a change of mood if the City discerns an end at last to the consumer spending boom.

Competition policy

The Government's long awaited statement on competition policy, finally expounded by Mr Norman Tebbit last week, is in most respects an endorsement of the status quo. No amendment to the Fair Trading Act is proposed and the Government is still not offering industry any ready reckoner by which to measure the acceptability of mergers and acquisitions.

The present arrangements have the merit of flexibility and the Government is no doubt right to lay emphasis, as it did last week, on the forces of competition pure and simple. Yet the confusion between the broad question of public interest and the more narrow boundaries of economic competition remains.

Last week's statement made clear that the Government would refer cases to the Monopolies Commission primarily when confronted with a potential restriction on competition. Once referred, however, the matter will be judged according to the public interest criteria set out in the Fair Trading Act. So a proposed takeover such as that of Enserch for Davy, rejected by the commission largely on the ground of national interest, might under the present regime not even be considered by the commission.

Equally, under the new policy, the initial Lonrho bid for House of Fraser would probably not have been referred. The last investigation into the matter produced a supremely muddled document primarily because the criteria of competition and public interest were not properly distinguished. In referring the situation back for a second look, the Government may be asking the commission to apply stricter competitive yardsticks. But, as competition is clearly not the main issue in this case, a referral runs the risk of undermining the Government's present position, as well as that of its predecessors.

RTZ/Enterprise

Enterprise Oil's new financial advisers face an uphill struggle in their attempt to keep RTZ at bay. The Enterprise share price was trailing 7p behind the maximum tender price on Friday evening and there is no shortage of underwriters anxious to lighten their holdings a little. Apart from anything else, the Government's swift counterattack on RTZ is still causing enough resentment among City institutions to make the prospect of revenge something to relish.

The Enterprise camp will presumably be doing everything in their power to make the shares look attractive in the cold light of a Monday morning, but they are desperately short of effective ammunition. The Enterprise price would certainly be trading lower still but for RTZ, and the only risk being run by existing holders is that the combined RTZ and Norwich Union positions will tighten the market against anyone seeking to climb back aboard at a lower price.

Yet most underwriters will probably seek to tender some stock, in the knowledge that RTZ's strategic holding will provide a handy long-term hedge, while themselves keeping a respectable weighting in equity which looks cheap on most fundamental grounds. This round, it seems, will go to RTZ.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday July 9 1984

CREDITS

Tradeable bank loans gain fillip with launch of £25m Irish deal

BY PETER MONTAGNON IN LONDON

THE DEVELOPMENT of a market in freely tradeable bank loans takes a step forward today with the launch of a £25m ($32.9m) 10-year state-guaranteed credit for Irish Telecommunication Investments.

Samuel Montagu, which has the mandate to arrange the deal, has structured it in a way that will allow lenders to sell all or part of their participations without recourse to the cumbersome sub-participation procedures that have existed up to now.

In many respects the deal resembles a standard Eurocredit. It bears a margin of ⅜ per cent; repayments will start after a five-year grace period; the borrower can choose between one, three and six-month rollover periods; and the funds will be available for drawdown until the end of the year.

The loan will also incorporate a newly developed mechanism which Samuel Montagu calls a "transferable loan instrument." Lenders will be able to convert their participations into this instrument, which can then be sold to other banks. Details of such transactions will be recorded by Samuel Montagu on a register which will be open for inspection by the borrower.

At this point the credit begins to resemble a hybrid between a floating rate note and a traditional Eurocredit. The borrower retains the flexibility of the Eurocredit in terms of drawdown period, variable rollover dates and gradual amortisation (none of which is normally offered by a floating rate note). Banks, on the other hand, have an asset they can sell.

If they decide to do so, their direct relationship with the borrower passes automatically to the purchaser of the instrument. There is no longer any confusion about who is responsible if at any stage the loan has to be renegotiated. This problem has arisen from the trading of loans in the past.

Moreover, each instrument will bear a specific maturity date, in keeping with the overall repayment schedule of the loan. This will help banks to tailor their holdings to suit the maturity profile of their own loan portfolio.

For example, a bank which wants to lengthen its loan book can sell all its early maturing instruments, while another which wants to lend only for nine years can sell its instruments maturing in year 10.

Samuel Montagu believes that this loan, though small, will help satisfy the growing demand among banks for marketable assets. This demand has already stimulated a growing secondary market in bank credits over the past year, though its development has been hampered by a lack of standard legal documentation.

One important additional point, however, is that Samuel Montagu has chosen to launch its deal in the sterling market, which has so far remained untouched by many of the innovations in the Euro-credit market, notably revolving underwriting facilities (RUFs).

Elsewhere, last week was remarkable for the continuing success of deals already in the market. Sweden has picked up commitments totalling around $4.5bn for its $3bn facility launched two weeks ago. This would create room for an increase if the borrower wishes; much the same applies to the $800m credit for Electricité de France which has already been raised from an original $400m.

Even Denmark's lacklustre $1bn credit has done better than expected in syndication, picking up nearly $200m in the market. This leaves only the $500m RUF being assembled by Merrill Lynch for Spain, limping painfully towards the finishing line which it hopes to cross this week.

INTERNATIONAL CREDITS

U.S. borrowers stay with Europe

BY MAGGIE URRY IN LONDON

IS THE never-ending competition to lead manage Eurobond issues about to break into war? The decision by the U.S. Congress to lift withholding tax on income paid to foreign holders of U.S. bonds might mean U.S. corporations will be able to raise money more cheaply at home – a prospect to delight the Wall Street securities firms.

Last week, however, big U.S. corporate names were tapping the Eurodollar bond market once more. Two – Coca-Cola and Texaco – used the same group of lead managers, consisting of tha top European houses, Credit Suisse First Boston, Deutsche Bank, Swiss Bank Corporation International and Union Bank of Switzerland. Morgan Guaranty, which is excluded from underwriting securities in New York – and therefore from the shift of issue business to New York – by the Glass-Steagall Act, also figured prominently.

Morgan Guaranty led the Coca-Cola deal and Credit Suisse First Boston the Texaco one.

So far the rivalry is still distinctly friendly and suggestions of retaliation by the U.S. firms are being brushed aside. There is an edge creeping in to some of their remarks, however.

Both issues yield less than equivalent U.S. treasury securities, Coca-Cola's substantially so. As an American put it, the Europeans "are making crazy bids against treasury rates – they can't really be justified." All in all the dead-pan expression of one American sums it up: "It is an interesting exercise in the continuing vitality of the Euromarkets."

BHF Bank bond average		
July 6		Previous
98.863		98.501
High	1984	Low
100.009		98.056

The Eurodollar bond market was once again an uncertain and unhappy place last week. It cheered up mid-week after the U.S. Treasury seven-year auction went well and the new issue window opened a few inches. By Friday, however, after the 20-year auction had gone badly, tha market was sagging again, leaving dollar bonds down as much as ½ point in places over the week.

The clever thing to issue last week was Japanese paper. The Japanese insurance companies are restricted in their holdings of foreign bonds, but Eurobonds issued by Japanese names through Tokyo do not count. So the Japanese institutions were lapping up issues like Mitsubishi Corporation's triple A rated five-year bond, which traded well inside its 1¼ per cent selling concession.

AFRICAN DEVELOPMENT BANK

Roadshow seeks out long-term finance

BY OUR EUROMARKETS STAFF

THESE DAYS a bank that can boast that it has never suffered a default on a loan ought to have no trouble when it wants to borrow. It is not quite as easy as that if the bank is called the African Development Bank and thereby has an "image problem."

The AfBD is trying to put that right with a roadshow round the capital markets of the Western hemisphere. It may be well enough known to launch "two or three" bond issues by the end of the year, its Vice-President, Finance, Mr Babacar N'Diaye hopes.

Already known in the D-Mark sector, the bank is now looking to other parts of the Eurobond market, the bulldog market and possibly the Samurai market.

The bank was set up in 1963 with all its 30 shareholders independent African states. Until non-regional members were allowed in at the end of 1982, its membership was something of a constraint on its credit rating. Now that it has 23 non-regional shareholders, including the U.S., Germany, Japan and the UK, out of a total of 73, it can pursue a new borrowing policy.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Moet-Hennessy §	50	1999	14½	7–7½	100	Credit Lyonnais, Mgn. Grenfell, Dillon Read, Mgn. Stanley	*
Sanwa Bank †‡	150	2004	20	⅛	100	CSFB, Sanwa Bank, Mgn. Stanley, Salomon Bros.	–
Tokyo Elec. Power ‡	100	1989	5	13⅜	100	County Bank	13.375
Citicorp. ‡†	100	1986	2	14	100	Dresdner Secs., Blyth Eastman Paine Webber	14.000
Sapporo Breweries ‡	30	1989	5	13½	100	Yamaichi Intl., Salomon Bros.	13.500
Coca-Cola Exp. Corpn. ‡	100	1989	5	12¾	99¾	Mgn. Guaranty, CSFB, Deutsche, SBCI, UBS Secs.	12.821
BNP †(a)‡	250	1996	12	¼	100	BNP, CSFB	–
BNP †(a)Φ‡	125	1996	12	¼	100	Daiwa Secs., Nomura Secs.	–
Mitsubishi Corpn. ‡	100	1989	5	13¼	100	Yamaichi Intl., Mgn. Stanley	13.250
Societe Generale ‡	100	1991	7	14	100	Soc. Gen., Lehman Bros., Merrill Lynch	14.000
First Fed. of Michigan ‡	75	1989	5	13¼	100	Bque. Paribas, SBCI	13.250
Texaco Inc. ‡	200	1988	5	13½	100	CSFB, Deutsche, Mgn. Guaranty, SBCI, UBS Secs.	13.500
CANADIAN DOLLARS							
Bque. Indosuez ‡	75	1991	7	14	100	Merrill Lynch, Bque. Indosuez	14.000
D-MARKS							
Eurofima ‡	100	1992	8	7¾	99¼	Deutsche Bank	7.793
Ford Credit Ove. **‡	75	1989	5	7⅝	100	Commerzbank	7.625
D-MARKS							
Haindl Papier ‡	70	1991	7	8	99½	Bay. Vereinsbank	8.096
JFM ‡	100	1991	7	7⅝	100	Deutsche Bank	7.625
CNA ‡	100	1994	10	8⅛	100	West LB	8.125
Oest. Donaukraftwerke ‡	100	1994	10	8	100	BHF-Bank	8.000
SWISS FRANCS							
Matsuo Elec. Co. **§‡	30	1989	–	2½	100	Bk. Julius Baer	2.500
Nippon Colneo **§‡	40	1989	–	2½	100	Bque. Paribas (Suisse)	2.500
Ikegami Tsushinki **§‡	30	1989	–	2½	100	Nomura (Switz)	2.500
Hokkaido Elec. Power **‡	100	1988	–	6	100	SBC	6.000
Asian Devt. Bank ‡	100	1994	–	6¼	100	CS	6.250
Tohoku Elec. Power **‡	100	1989	–	6	100	UBS	6.000
Morinaga **§	70	1989	–	2½	100	CS	*
Kinugawa Rubber **§	20	1989	–	2½	100	CS	*
STERLING							
New Zealand ‡	100	2014	30	11½	92.688	SG Warburg	12.432
GUILDERS							
BFCE ‡	150	1994	8	8	99¾	ABN, Amro Bank	8.045
YEN							
KEPCO **‡	5bn	1991	6.4	8	100	Nikko Secs., Daiwa Secs.	8.160
World Bank ‡	30bn	1996	10.32	7.7	99.50	Daiwa Secs.	7.916

* Not yet priced. ‡ Final terms. ** Placement. § Convertible. † Floating rate note: coupon is spread over six-month Libor. (a) Spread over mean of 6-month bid and offered rate. Φ Placement in Asia. : Extendible each two years to 1994. Note: Yield are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

US BONDS

Second thoughts on prospects of a Fed tightening

THE NEW YORK bood market came through a difficult trading week io somewhat better shape than the world currency or gold centres. Last week's calmness could he misleading, however. Activity was restraioed both hy the double-barrelled Treasury auctions and by the break for the July 4 holiday. All the reservations about Federal Reserve attitudes and the pace of the U.S. economy were still in place.

The expectation that higher interest rates lie ahead seemed unchallenged, with the chances of a tightening of Federal Reserve policies, either at the July 16 meeting of the Open Market Committee or before, reinforced by last week's economic data. Bond prices dipped sharply on Friday morning on the news of an unexpectedly sharp drop in unemployment.

More significant for the market was the disclosure of another sharp gain in the number of those in employment in June, and by the high level of working hours in manufacturing industry.

Gains in construction spending, factory orders, and inventories, as well as vigorous sales hy the auto and retail industries, all gave further indication of the strength of the U.S. economy.

Monetary aggregates are still rising—the improvement in bonds late on Friday reflected a smaller-than-expected increase in M1, not a change of views. Business loans continue to move higher.

Moreover, coming closer to the market's heart, the auction of 20-year bonds was "sloppy," with The Street left holding most of the stock. Higher rates will be needed to shift the new bonds towards retail portfolios, or else there could be another of the bond market's fire sales, with prices suddenly slashed.

Faced with these pressures, the market scrutinised the Federal Reserve'e market activtiy more closely than ever. The Federal funds rate traded just over 11 per eent. Bond market yields are already discounting a rate closer to 11½ per cent with the FOMC meeting still a week eway.

But last week also brought some second thoughts on the prospects open to the Federal Reserve Board. Seasonal pressures on hank reserves are still strong, and this may cause the Fed to hold back until the FOMC meeting. Both Dr Henry Kaufman of Salomon Brothers and Mr Philip Braverman of Briggs, Schaedle, helieve that the Federal Reserve may even come to the aid of the Treasury coupon market this week by purchasing bonds to ease digestion of the new 20-yeer issue.

Also discouraging Mr Volcker from taking too vigorous a grip may be the prospect of poor earnings reports from the hanks for the second quarter, which could raise their borrowing costs in the money market.

The renewed surge in the dollar indicates the perception in foreign exchange centres of the outlook for U.S. interest rates. A move hy the Fed to tighten interest rates might drive the dollar higher still, with serious implications for the less developed countries' debts to U.S. banks.

The gold and commodity markets, on the other hand, appear to be signalling disinflation, or at least, a moderation of inflation fears. With such a variety of factors to consider, next week's FOMC meeting faces a lively dehate.

On halance, the bond market still helieves that the Federal Reserve will be obliged to tighten the reins soon. But the strength of the contrary arguments shuold not be overlooked.

"There is at least a possibility the Fed will not firm significantly in the July 16-17 FOMC meeting," warns Mr Braverman. If it does not, then the bond market will have to think again.

Terry Byland

U.S. INTEREST RATES (%)

	Week to July 6	Week to June 29
Fed funds wkly avge	10.51	11.27
3-month COs	11.65	11.66
3-month T-Bills	9.48	9.50
30-year Treasury Bond	13.59	13.65
AAA Utility	14.63	14.75
AA Industrial	14.38	14.50

Source: Salomon Brothers (estimates). In the week to June 25 M1 rose by $1bn to $545bn.

U.S. Steel employees to buy Johnstown operation

BY TERRY DODSWORTH IN NEW YORK

THREE FORMER employees and a local businessman from Johnstown, Pennsylvania, have set up a profit-sharing company to acquire the assets of the city's steelworks from U.S. Steel, which announced plans to close its 1,400-man operation six months ago.

The Johnstown works specialised in constructing heavy steel mill equipment such as speciality rail cars and coke oven doors. U.S. Steel, the largest of the U.S. steel producers, decided to shut down the business in December and wrote off the cost of closure as part of the $1.6bn provision made at the end of the 1983 fiscal year.

Since then, the corporation has reacted to local efforts to keep the Johnstown facility open by trying to negotiate lower wages and fringe benefits. But a proposal to reduce wages to sround $15 an hour against the preseot $20 an hour was rejected by the workforce, and the counter-plan of acquiring the plant with substantial worker participation was brought into being instead.

No price has heen given for the transaction, but under the terms of the agreement, U.S. Steel will lease the plant to Johnstown Corporation, the name of the new company, until November. The city of Johnstown is also helping with the financing of the deal.

Johnstown Corporation is to be headed by Mr John Sheehan, an independent local businessman who was formerly connected with Martin Marietta and Corning Glass, and was for a while a member of the Federal Reserve Board. Mr Joseph Wilson, former general manager, will become president, and two other senior executives of the defunct company will join the management team.

The workforce at Johnstown has been trimmed to around 800 by the time of closure, and the plant will reopen with only about 100 employees on the books. Mr Wilson says, however, that he hopes to increase employment to around 200 by the year-end.

The new company has signed an agreement involving wages cuts with the workforce, but this is in return for a profit and equity sharing plan.

Radio telephone monopoly lost

BY DAVID DODWELL IN HONG KONG

THE Hong Kong Telephone Company (Telco) has failed in its bid to retain a monopoly of mobile radio telephone systems in the territory following a court decision to grant licences to Hutchison Radio Telephone and China Telecom Systems.

Telco, which is an associate of Cable and Wireless, was granted a radio telephone licence in January. It tried to prevent licences going to competitors on the grounds that this would conflict with the Hong Kong Telephone Ordinance. This grants Telco the sole right to supply and operate public telephone communicatioos in the territory, to June 30 1995.

An arbitration committee ruled yesterday that a radio telephone service providing mobile radio telephones, was "not within the concession conferred on Telco."

Both prospective competitors were initally ewarded licences in April.

Record profit margin at AMD

By Louise Kehoe in San Francisco

ADVANCED MICRO DEVICES, the California semiconductor manufacturer, achieved a 25.1 per cent pre-tax profit markin for its first quarter ended June 30, as industry record. With sales up 117 per cent to $234m from $108m last year, AMD lived up to its reputation as the fastest-growing chip maker in the world.

AMD now appears likely to reach its goal of $1bn sales this fiscal year. "This could be our gigahuck year. That will make us happy—at least for now," said Mr W. J. Sanders, AMD's flamboyant chairman.

Earnings of $38.2m were up 370 per cent from $8.1m during the first 1984 fiscal portion. AMD booked orders worth $326m, a company record.

The company's results suggest that the boom in semiconductor sales has several more months to run.

Although shortages of certain types of semiconductor are easing, sees the trend as positive. "We are moving towards more realistic hut very strong growth rates. Six months ago, customers were filling inventory. Today they are huying products they need."

Owners swap two Malaysian banks

BY WONG SULONG IN KUALA LUMPUR

MR DAIM Zainuddin, one of the most influential figures on the Malaysian corporate scene, and Multi-Purpose Holdings, the biggest Malaysian Chinese corporate group, have reached a deal exchanging ownership and control of two banks.

Under the deal, signed over the weekend, MPH will sell its 40.7 per cent stake in United Malayan Banking Corporation to two of Mr Daim's companies, Dani and Daan Sdn Berhad. The price is still undisclosed, but is believed to be around 250m ringgit (US$108m).

Mr Daim will meanwhile transfer his 51 per cent stake in the Malaysian French Bank to MPH, and make a cash payment of 131m ringgit.

The deal, which is subject to approval by the Malaysian authorities, is seen to be mutually beneficial to both parties. Mr Daim, who is a close adviser to Dr Mahathir Mohamad, the Prime Minister, will end up with control over a much larger bank.

UMBC is Malaysia's third largest bank in retail terms, with 50 branches, and fourth in paid-up capital. However, MPH will fulfil its long standing aim of having effective control of a commercial bank, albeit a very small one.

The Malaysian French Bank has only two branches, although it is seeking permission to open up a dozen more. Bank Indosuez of France holds 30 per cent of the bank, with the remaining 19 per cent held by the Kuok foundation. Mr Tan Koon Swan, MPH's managing director, said MPH wants to build it up into a leading Malaysian bank.

MPH and Mr Daim bought their stakes in UMBC and the Malaysian French Bank respectively about two years ago.

Originally, MPH was to buy 51 per cent in UMBC, but because of strong objections by influential Malay groups, including elements within the ruling United Malays National Organisation, it had to scale down its purchase to 40.7 per cent and share joint ownership with Pernas, a government trading and investment agency.

Bankers here say that because of the conflicting aims and management styles of MPH and Pernas, the bank had not been able to expsnd as rapidly as other Malaysian banks in recent years.

The UMBC-Malaysian French Bank deal is the second bid deal struck between MPH and Mr Daim. In late 1982, MPH sold off its 30 per cent stake in United Estates Projects, a major property group, to Mr Daim.

New chief at B.F. Goodrich

● B. F. GOODRICH COMPANY has appointed Mr Patrick C. Ross president and operating officer and Mr Leigh Carter has been named vice chairman and operating officer, and both have been named to the corporete executive office. The executive office also includes Mr John D. Ong, who gives up his post of president but remains chairman and chief executive and Mr M. Donald McClusky, who has recently announced that he will retire on October 1 as vice chairman and a director. Mr Ross has heen executive vice president and president of the tyre group and Mr Carter has been executive vice president and president of the engineered products group.

● BRITISH COLUMBIA RESOURCES INVESTMENT CORP has appointed Mr Walter J. Riva its chairman. He replaces Mr Donald Watson who will assume Mr Riva's former post as vice-chairman. The move has been made in preparation for Mr Watson's retirement. Mr Watson, 63, has been company chairman since October 1981. Before becoming B.C. Resources vice-chairman and chief executive of Westar Mining Ltd, one of its subsidiaries.

● CONSOLIDATED NATURAL GAS COMPANY has elected Mr Lester D. Johnson to the post of chief financial officer, succeeding Mr H. Andrew Offutt, who will retire on August 1. Mr Offutt, a senior vice-president, will also step down as a director of Consolidated. Mr Johnson remains a corporate vice-president and will relinquish his current duties as treasurer to Mr David R. Kuzma, who moves up from assistant treasurer—finance. As part of the new alignmeot, Mr Johnson wil relocate from Consolidated's New York City office to its beadquarters in Pittsburgh.

● Mr A. A. (Tony) Webb, formerly senior vice-president, merchant hanking, for The Royal Bank of Canada in Toronto, has been appointed managing director of THE ROYAL BANK OF CANADA (SUISSE) in Geneva. Mr Webbs succeeds Ms Suzanne B. Labarge, who was general manager at The Royal Bank of Canada (Suisse). Ms Labarge has returned to Canada to become vice-president, world corporate banking — Atlantic/Quebec, based in the bank's bead office in Montreal.

INTERNATIONAL APPOINTMENTS

Mr A. A. Webb, managing director of Royal Bank of Canada (Suisse)

● CITIBANK, N.A., has appointed Mr Ricardo de Lorenzo as country corporate officer for Senegal. Mr de Lorenzo, who was previously the bank's corporate hanking head in the Ivory Coast, is now based in Dakar.

● Mr Berthold Lindqvist, manager of group planning and control, has been eppointed executive vice president in the SONESSON GROUP. He succeeds Mr Lennart Nilsson who has heen sppointed president and chief executive officer. Mr Lindqvist will maintain responsihility for group planning and control.

● GOTAAS-LARSEN has promoted two of its senior members of staff: Mr Bjarne Thygesen has been named vice president fleet operations (LNG), with responsibility for the company's fleet of liquefied natural gas carriers. Mr Thygesen was fleet director (LNG). Mr Sven Mikkelsen has been named vice president fleet operations, with responsihility for the company's VLCCs, chemical carriers and liquefied petroleum gas carrier. Mr Mikkelsen was fleet director (cargo).

● Mr Edward E. Shea, former chairman of the board of Reichhold Chemicals Inc, has been elected senior vice president, general counsel and secretary of GAF CORPORATION. He has been a member of GAF's board of directors since December 1983. Prior to joining GAF, Mr Shea had been a partner in the New York law firm of Windels Marx Davies and Ives, which he joined in 1981.

● Mr Dick Elliott has been appointed a director of SIMON ENGINEERING (AUSTRALIA) PTY, the holding company of Simon Carves Australia and Henry Simon Australia at North Ryde, NSW. He is manager of the food industries division for Australia and New Zealand.

● WARTSILA has appointed Mr Ake Wolfram, executive vice-president and head of the shipbuilding division. Mr Wolfram is managing director of the Turku Shipyards, and will take up his new duties from the beginning of 1985, when executive vice-president Christian Landtman retires. Mr Landtman will still continue as a member of the board. At the same time the managing director of the Helsinki shipyard, Mr Martin Saarikangas has been appointed deputy head of the shipbuilding division from the beginning of 1985. Mr Saarikangas, will continue as managing director of the Helsinki Shipyard, a post he has held since 1981. The Wartsila group is one of the largest industrial companies in Finland.

● R. J. REYNOLDS TOBACCO INTERNATIONAL has appointed Mr Pierre de Labouchere regional director, Scandinavia/Iceland. Formerly marketing manager for EFTA, Eastern European countries, Europe duty free and military business, he will relocate from Geneva to Stockholm.

He was promoted group product manager in 1982 and transferred to Geneva in July 1983 to his current position, where he coordinated overal planning and execution of marketing activities as well as special market development projects.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alaska Housing 11¾ 94	100	88¾	89¾	0	+0¼	13.96
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden Kingdom 5¾ 94	125	†99¾	100	0	+0¼	5.78
Tauernkraftwerke 5½ 94	100	†98	98¾	+0¼	+0¼	5.75
Tobu Railway 4 92 WW	100	†97½	97¾	−0¼	−0¼	4.36
Tobu Railway 4 92 XW	100	[illegible]	[illegible]	[illegible]	[illegible]	5.27
Transcanada Pipe 5¾ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	5.84

Average price changes... On day 0 on week +0¼

YEN STRAIGHTS; OTHER STRAIGHTS; FLOATING RATE NOTES; DEUTSCHE MARK STRAIGHTS; CONVERTIBLE BONDS: [illegible]

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EUROBOND TURNOVER

(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week ...	10,359.0	17,392.5
Previous week	7,546.0	13,605.1
Other bonds		
Last week ...	1,739.7	1,600.0
Previous week	1,261.6	954.1

previous day's price.

† Only one market maker supplied a price.

* No information available—

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week= Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day= Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Blyth Eastman, Paine, Webster International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International; Wood Gundy.

Closing prices on July 6

UK COMPANY NEWS

Lazard's holds 19.2% of Pearson

Lazard Brothers has disclosed that it holds 19.2 per cent of its parent, Pearson, the banking, publishing and industrial group which owns the Financial Times.

The holding largely represents Pearson family interests.

The declaration was made in the wake of a ruling by the Takeover Panel that merchant banks and other fund managers should disclose aggregate holdings of 15 per cent or more held on a discretionary basis on behalf of clients. Previously funds had been allowed to regard each client's holding as separate.

In addition to the holding of 18.02m Pearson ordinary shares, Lazard holds 25.4 per cent of Pearson 3½ per cent preference shares, or 127,615 shares.

Other stakes disclosed by Lazard were 2.24m shares in the Birmingham-based Davenport Brewery, or almost 35 per cent of the equity; 4.68m Synteriads ordinary shares, or 18.8 per cent; and 765,870 ordinary shares, or 15.43 per cent, of Wolstenholme Rink.

Greenfields Leisure jumps to £170,000

Pre-tax profits at Greenfields Leisure more than trebled from £54,000 to £170,000 in the six months to April 30 1984. The interim dividend is unchanged at 0.25p—last year's total was 0.75p from losses of £153,000.

Turnover of this retailer and wholesaler of leisurewear, camping equipment and household goods, improved from £8.53m to £11.46m. The pre-tax figure includes a surplus of £430,000 (£175,000) on property disposals, but after depreciation slightly higher at £300,000 compared with £295,000 and interest charges down from £353,000 to £340,000. Tax for the period was £88,000 against £28,000.

Earnings per 10p share were 0.35p against losses of 0.18p last time.

Sarasota Technology offer at 132p

Sarasota Technology, which was bought out from Redland in a £5.4m management deal a couple of years ago, is coming to the Stock Exchange via an offer for sale valuing the company at £23.3m.

The company was founded in the U.S. in the Fifties and its present chief executive, Mr Ian McCue, built up the business in the UK.

Sarasota has developed a range of highly sophisticated measurement products in two main fields of vehicle detection and fluids. The vehicle detection equipment is used by public transport services and the police can use it to measure traffic flow and change traffic lights.

The fluid measurement equipment has many uses in the petrochemical industry ranging from the extraction of oil and gas through to measurement to the consumer.

Barclays Merchant Bank is offering 5.87m shares in Sarasota Technology at 132p each, giving a p/e of 17.1 based on a 46 per cent tax charge.

The company will raise £3.4m through the offer of 3m new shares, equal to 16.7 per cent of the equity.

The money will be used to redeem preference shares and repay the debenture outstanding from the director's buyout of £2.5m, which was financially assisted by some institutions. The rest of the funds will contribute to cash balances of around £1.2m and undrawn bank facilities of £2.25m available to expand the existing business and for possible acquisitions.

The directors expect to expand in a number of new "niche" products similar to those where they are already established and to new geographical markets, including the Middle East.

About half of Sarasota's business is conducted in the U.S., and half in the UK. The division between vehicle detection and fluid measurement is roughly also split 50/50.

Operating profits declined from £1m to £722,000 prior to the management buy-out, but since then there has been an impressive improvement to £2.43m on turnover of £8.44m in the year to end-March 1984.

Sarasota is not providing a profits forecast for the current year as the second half is always the stronger trading period, and the directors feel it is too early to be able to give a reliable figure.

Applications close on July 11, and dealings are expected to begin on July 18. Brokers to the issue are Grieveson, Grant.

● comment

The potential markets for the products of Sarasota Technology appear attractive and not too overcrowded with competition. The existing range is high quality precision equipment and selling well. What investors will be looking for is the management expertise to push forward product development and expand the company while maintaining the impressive levels of operating profit of the last couple of years. Ian McCue has been a strong leader of the management team and will need to delegate more as the company grows. Though the products and management are known, it is by no means a different company with different aims since the buy-out and to that extent an unknown quantity. The p/e of 17 takes some of these uncertainties into account and the offer should prove a success.

Valor buys into more oil wells

ADDITIONS to its oil and gas interests are being made by Valor, the home appliance company. It is expanding in the U.S. by buying into 51 producing oil wells, where water injection recovery is planned to increase the current return.

Mr Michael Montague, the chairman, says this investment has been made against a secured letter of credit from a London clearing bank, which guarantees Valor, as a minimum, the return of its capital investment within three years and, notwithstanding this a continuing income. This is in line with the policy of expanding this sector of activities with minimal risk, he states.

As to the current year, the chairman says prospects for the group are really good. "If we keep our noses to the grindstone a further year of progress lies ahead." The company is in a strong financial position.

Mr Montague has set a sales target for the group of $100m, and whether it is achieved this year or next remains to be seen. In the traditional field of manufacturing cookers and heaters, a host of new models is in the pipeline for introduction during the year. A companion to the Homeflame gas fire and the first range of instant electric showers are on the way.

In the year ended March 31 1984 group sales were £75m (£60.7m) and the profit before tax £3.9m (£2.6m).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Bio-Isolates, Polmer, Danmena Electrical, Securiguard, Webber Electro Components.

Finals: Baileys of Yorkshire, Carclo Engineering, May and Hassell, A. Monk.

FUTURE DATES

Interims—
Marley .... Aug 8
Tace .... July 11

Finals—
Brengreen .... July 11
Distillers .... July 18
Fleming Overseas Inv. Trust .... July 10
Ingram (Harold) .... July 20
Magnet and Southerns .... July 12
Regalian Properties .... July 27
Tex Abrasives .... July 11

Powell Duffryn recovers strongly in engineering

THE PROFIT improvement achieved by the Powell Duffryn group in 1983-84 was widely based, says the chairman Lord Sandon in his annual statement. Activities cover engineering, shipping, bulk liquid storage, and fuel distribution.

Most pleasure came from the way Hamworthy Engineering and National Pump pulled themselves out of a disastrous second half in the previous year, and "I am confident there is more to come," he tells members.

As reported on June 21, in the year ended March 31 1984 turnover rose to £628.08m (£595.8m) and profit before tax to £18.31m (£12.94m). The dividend is stepped up to 16p net (14.25p) in deference to the results and confidence in the future.

On prospects, the chairman says the troubles in the coal industry could affect the current year, and this also applies to the shipping business. However, he confirms his expectation over the next few years of continued worldwide growth in activity and profits. He can now see the way ahead more clearly to a better future for the group.

Capital expenditure over the last four years has totalled £102m and not all the benefits of this ambitious programme have yet come to hand, he points out.

In the current year, the group has merged its quarry interests with Amey Roadstone in Wales. Initial estimates are that the deal will improve group liquidity by up to £10m, with profits attributable remaining in line with the contribution made by quarries in prior years.

The write-off in respect of the investment in IBH Holding in Germany has an impact on gearing, as does a surplus of £13m arising on the revaluation of properties.

Dead crocodiles force closure of Ok Tedi mine

BY GEORGE MILLING-STANLEY

THE PRESENCE of dead crocodiles and turtles in the Ok Ma River has alerted the Papua New Guinea authorities to an accidental escape of sodium cyanide from the nearby Ok Tedi gold mine, and the mine has been closed.

Ok Tedi was officially opened in mid-May, but problems with the grinding circuit have so far prevented it from producing any gold. The management expects the mine to be re-opened early this week after government officials complete an inspection.

West Germany's Metallgesellschaft, which has a 7.5 per cent stake in the mine, said that gold production should come on stream this August, as planned, if the mine is re-opened this week.

The sodium cyanide, which is used in the refining process for gold-bearing ore, escaped after a valve was inadvertently left open. A previous escape occurred three weeks ago when a ship, carrying canisters of the material, capsized.

Ok Tedi has already experienced a number of problems during the construction phase, including a drought, unusual in the region, which normally experiences annual rainfall of some 400 inches, and a landslide.

Degussa, another West German company with a 7.5 per cent stake, said that the total costs of the mine, in a remote area of Papua New Guinea's Star Mountains, have risen to A$1.3bn (£833m) from the originally projected A$800m. Degussa will take half of the mine's output of dore bars, containing about 80 per cent gold and just under 20 per cent silver.

The deposit consists of a form of gold cap covering a mountain of copper ore. Copper production is planned to start in mid-1986.

Benlox pays £3m for Arnold & Nathan

Benlox Holdings says a conditional contract has been exchanged for the purchase of the whole of the issued share capital of Arnold and Nathan.

A&N comprises a group of companies located in Kent and principally engaged in civil engineering, building and contracting in South-east England.

The board of Benlox considers that the acquisition of A&N will substantially enhance the value of the group. Considerable benefits should accrue to the group due to the sound asset base of A&N and the complementary nature of the trading activities of A&N and the existing subsidiaries of Benlox.

The purchase price payable is £3.16m.

GRE-Aquis terms

TERMS have been agreed for Guardian Royal Exchange Assurance's offer to acquire Aquis Securities, a property investment and development company.

GRE already owns 16.2m Aquis ordinary shares (64.5 per cent) as well as 11.4m convertible shares and has offered to buy remaining ordinary shares at either 55p per share or two GRE shares for every 21 shares of Aquis.

Mr David Cooper, assistant general manager at GRE, explained: "Twenty per cent or more of our insurance funds are in property already, so there is a fair amount of logic in bringing it all together. It's merely an extension of our interests."

Cater Allen

Cater Allen's rights issue has been taken up as to over 89 per cent. The balance has been sold at a premium over the issue price of 28.3p per share.

F.T. Share Information

The following securities have been added to the FT Share Information Service:

Comcap (Section: Electricals);
Houston Natural Gas Corporation (Americans);
Microvetic (Electricals);
Nationwide Building Society 11pc 3/6/85 (Loans—Building Societies);
News International (Newspapers, Publishers);
Save and Prosper Return of Assets Inv (SPRAIT), ordinary, warrants and cum lid pig pfd (Investment Trusts).

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P/E Ratio
180	F.P.	8/8	222	162	✠Appl'd H'graph's.5p	175	..	—	—	—	—
—	F.P.	—	200	120	Do. Warrants	150	..	—	—	—	—
270	100	10/8	105	39	Assoc Brit Ports	44	+1	8.5	2.9	5.7	8.1
140	F.P.	16/6	175	138	✠Brikat 5p	153	+7	bg2.0	3.1	1.9	22.1
30	F.P.	3/8	35½	26½	✠Clogau Gold 10p	26½	−½	—	—	—	—
**	F.P.	—	25	23	Percy Tst. Warrants	25	......	—	—	—	—
41	F.P.	20/7	30	25	✠Ennex Intnl. Ir10p	27	−1	—	—	—	—
¶125	100	—	106	98	Enterprise Oil	103	..	b7.0	3.2	6.5	8.5
95	F.P.	3/8	120	106	Etam 10p	114	−1	2.5	2.9	3.1	16.1
—	F.P.	—	15	10	Gartmore I. & F. Warr.	10	..	—	—	—	—
55	Nil	5/8	58	52	✠Geo Rosen 5p	54	−1	u1.5	1.6	6.3	13.0
67	F.P.	27/7	76	68	✠Global Group 10p	74	−2	u2.25	1.8	4.5	18.3
25	F.P.	10/8	30	26	✠Hobson 5p	26	....	—	—	—	—
93	F.P.	16/7	124	94	✠Holden Hydr'm'n 10p	118	−2	u3.25	2.8	3.9	10.5
120	F.P.	15/7	155	137	✠Hunter Saphir	148	−5	g1.59	3.7	1.5	24.1
120	F.P.	12/7	138	120	LCA Hldgs. 20p	129	−5	Q1.5	5.4	1.7	21.1
108	F.P.	20/7	109	93	✠Lon. & Clydeside	98	−1	bg5.3	2.0	7.7	8.2
¶185	F.P.	27/7	185	173	LoweHo'ard-Spink 10p	178	....	bg3.6	2.9	2.9	17.0
¶¶	F.P.	—	48	44	MurrayVenturesWrrts	44	−1	—	—	—	—
15	F.P.	29/8	153	126	✠Northamber 5p	150	..	u1.0	5.4	1.0	28.0
‡‡	F.P.	—	£12¼	£12	OLM A8 A Sk 25	£12	..	—	—	—	—
‡Sk116	F.P.	—	£12¼	£12	Do. 8 Sk 25	£12	..	—	—	—	—
80	F.P.	29/6	86	64	✠Petrogen Pet. Inc.	65	−1	—	—	—	—
$68	F.P.	15/7	75	68	✠Petrolex 5p	70	..	—	—	—	—
28	F.P.	18/7	28½	24	✠Pic'd'ly Rad. N-V.5p	24	....	b1.88	1.0	11.2	12.5
‡10½	F.P.	—	13	11½	✠Prcs. Entertain. 10p	12½	....	bg0.4	2.0	4.6	15.9
¶186	F.P.	19/7	238	206	Reuters 'B' 10p	238	+2	b2.5	4.1	1.5	23.2
65	F.P.	15/7	66	61	✠Spectra Auto. 10p	62	−1	u2.28	2.2	5.2	12.4
130	F.P.	5/8	140	115	✠Spectrum 5p	140	.....	Q2.0	3.5	2.0	19.9
110	F.P.	15/6	122	112	✠Stat-Plus 5p	114	..	u1.8	3.3	2.3	17.8
110	F.P.	29/6	170	128	✠SteelBurrillJones10p	167	..	b4.9	2.5	4.2	14.9
‡‡	F.P.	—	220	205	✠Telecomputing 10p	205	..	Q1.0	—	0.7	—
145	F.P.	27/7	155	140	✠Trencherwood 10p	140	−2	bgd4.6	3.9	4.7	7.1
Ir45p	F.P.	6/7	40	30	✠Tuskar Res.Ir 5p	30	..	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −
98.19	£25	27/7	26⅛	20½	Border & S'thern 11½% Pcb. Stk. 2014	20½	−½
‡‡	Nil	—	9½pm	4½pm	Cap & Counties 8¾% Cnv. Uns. Ln. 1999-04	4½pm	−2½
‡‡	Nil	5/7	89½	97⅛	Comfort Int. 7½% Cnv. Uns. Ln. 1997-2001	99	−½
6.764	£25	15/9	24¼	21½	EDF 11¼% Ln. 2009-12	21⅞	−½
97.780	£30	5/10	28½	27½	Enton Fn. N V 12½% Uns. Ln. 2014	27⅞	−⅜
98.157	£25	22/11	25⅛	24⅛	Marley 11¾% Deb. 2009	24⅛	−¼
‡‡	F.P.	15/7	100	98	✠Micro Bus. Sys. 6pc Uns. Ln. 1997	99	+1
..	F.P.	—	100⅛	99⅜	Nationwide 10⅞% 24 6 85	99⅝	....
92.688	£30	—	29¼	28½	New Zealand 11⅞% 2014	29¼	.....
100	£10	5/9	12¼	11⅛	Portsmouth Water 13% Red. Deb. 1994	12	....
$97.80	£25	12/7	30½	22⅝	Province de Quebec 12¼% Ln. 2020	22¾	−½
‡‡	F.P.	4/7	102	95½	Robinson-Thomas 7¼% Cum. Cnv. Red. Prf.	95½	−1½
‡‡	F.P.	3/7	98	87½	Tern-Consulate 9% Cnv. Cm. Rd. Prf. 97-2000	98	+½
98.641	£50	7/8	50	25¼	Trinidad & Tobago 12¼% Ln. 2009	23¼	−⅝
‡	F.P.	6/7	87½	96⅛	Upton (E.) 10% Cnv. Uns. Ln. 1990	97	....
£100	£10	27/9	12⅛	11⅛	York Waterworks 13% Red. Deb. 1994	12	....

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −
A$7.6	A$4	2/5	542	366	Broken Hill Prop A$2	380	−4
80	F.P.	—	97	90	Canning (W.)	96	....
410	F.P.	17/8	455	415	Cater Allen £1	450	−5
255	Nil	1/8	38pm	28pm	Cookson 50p	30pm	....
19	Nil	17/8	4pm	2pm	Hyman (I & J) 5p	2pm	....
191	F.P.	29/6	217	198	Ladbroke 10p	205	−5
30	Nil	15/8	22pm	16pm	Marshall's Universal	16pm	....
120	F.P.	25/6	255	155	✠Midsummer Inns £1	230	−5
$0.85	Nil	27/6	26pm	15pm	North Kalgurli	15pm	−4
A$4	A$2	—	248pm	122pm	Santos A0.25c	234pm	−9
250	F.P.	9/8	340	315	✠Saxon Oil	315	.....
355	Nil	15/8	65pm	50pm	Systems Designers 5p	55pm	.....
45	Nil	24/8	10pm	10pm	Unitex 10p	10pm	.....

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. C Canadian F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▪ Allotment letters (or fully-paid). ‖‖ Introduction. ✠ Unlisted Securities Market. § Placing price. †† Official London Listing. ‡ No par value.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Acrow	Aug 4	Final nil	Cleaners	Aug 18	Interim 3
*Associated Newspapers	July 12	Interim 4.6	*Lennons	July 15	Final 0.6
BET	July 21	Final 8.14	Lex Service	July 29	Interim 3.75
*Barclays Bank	Aug 2	Interim 11.5	*Lloyds Bank	Aug 3	Interim 10.66
Bibby (J.)	Aug 3	Interim due	*Mercantile House	July 31	Final 15
*Birmid Qualcast	July 12	Interim 0.33	Lonrho	Aug 4	Interim
*Brengreen	July 11	Final 0.55	*MFI	July 17	Final 2.3
*Bristol	July 27	Interim 5.3	*Magnet and Southerns	July 12	Final 2.2
Commercial Union	Aug 10	Interim 4.85	*Marley	Aug 8	Interim 1.2
Cornh	Aug 18	Interim 1.5	Midland Bk	July 27	Interim 11.0
*Davy Corporation	July 19	Final 2.585	*NatWest	Aug 13	Interim 11.4
*Decjan	July 11	Final 3.825	Notts Manfg	July 28	Interim 1.35
*Daily Mail and Genl Trust	July 12	Interim 12.0	Ocean Transport	Aug 9	Interim 2.15
*Distillers	July 18	Final 8.5	Property Secs Invest Tst	Aug 10	Final 1.5
*Dixons	July 18	Final 2.4	*Rank Orgn	July 12	Interim 4.0
*Dowty	July 19	Final 2.25	*Rothmns Intl	July 19	Final 4.0
General Accident	Aug 10	Interim 8	Royal Insurance	Aug 16	Interim 10.5
Glynwed	Aug 3	Interim 2.45	Secuncor	Aug 10	Interim 0.44
GUS	July 21	Final 3.0	Smith and Nephew	Aug 9	Interim 1.4
GKN	Aug 11	Interim 4	Stock Conversion	Aug 8	Final 3
*Greycoat City Offices	July 12	Final 0.65	STC	Aug 5	Interim 2.75
HAT	July 19	Final 1.5	*Thorn EMI	July 12	Final 11.7
Haslemere Estates	July 14	Final due	*TI	Aug 9	Interim 2.5
Hogg Robinson	July 19	Final 3.0	Tozer Kemsley & Millbourn	Aug 1	Interim nil
Horizon Travel	Aug 17	Interim 0.88	Ultramar	Aug 11	Interim 6
*ICI	July 26	Interim 10.0	*Union Discount	July 18	Interim 11.0
*Imperial Grp	July 12	Interim 2.75	Vosper	July 14	Interim 2.0
Johnson Co					

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BIDS AND DEALS IN BRIEF

In one of the largest disposals so far of the assets of Midlands Industries, which collapsed in May, a management team at RMI (Smethwick) is taking over the foundry in a deal involving £1.8m including new working capital.

Mr Gordon Butler and Mr Keith Setters, managing director and financial director respectively of RMI (Smethwick), are buying the assets of RMI and have put up £150,000 from their own resources for 75 per cent of the equity. ICFC is backing them with equity and loan capital and taking the remaining 25 per cent of the shares. Royal Bank of Scotland is providing the working capital.

RMI has been the mainstay of Midlands Industries' profits in recent years, and produces about 15,000 tonnes a year of grey castings for a wide range of customers. Its dependence on the automotive sector now accounts for only half its output. Mr Butler feels the foundry has an "excellent future." It is on target for a record £8m turnover this year and the order book is at its highest ever level.

* * *

As a result of the purchase of 25,000 ordinary shares in Hartons Group at 47p, Michael Maimann has taken his interest in the company to 3.97m ordinary shares (13.48 per cent).

Following this acquisition, Max Maimann, his family and associates, are interested in 18.85m ordinary shares (63.95 per cent).

* * *

Usborne and Sons (London) holds an interest in 2.93m shares (21.16 per cent) in Feedex Agricultural Industries, following a purchase on July 4.

* * *

Unilever announced that the transfer of J. P. Wood of Shropshire, poultry rearer and processor, to Unigate had been completed with effect from June 1.

FINANCIAL TIMES STOCK INDICES

	July 6	July 5	July 4	July 3	July 2	June 29	1984 High	1984 Low	Since Compilatn High	Since Compilatn Low
Government Secs.	77.78	78.02	78.22	78.08	78.22	78.43	83.77	77.79	127.4	49.18
Fixed Interest	82.25	82.40	82.38	82.51	82.40	82.44	87.48	82.25	150.4	50.53
Industrial Ord	819.3	835.5	834.1	821.3	822.1	817.9	922.8	770.3	922.8	49.4
Gold Mines	559.8	582.4	599.9	606.5	626.9	644.9	711.7	520.2	734.7	43.5
FT-Act. All-Share	486.11	487.86	497.94	481.87	490.48	487.74	536.71	470.05	536.71	61.92
FT SE 100	1042.3	1062.7	1065.5	1050.2	1047.6	1041.4	1141.6	997.5	1141.6	997.5

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Ashfund, 2 St Mary Axe, EC, 12.30
Barker and Dobson, Hyde Park Hotel, Knightsbridge, SW, 12.00
Goldberg (A.), The Albany Hotel, Bothwell Street, Glasgow, 11.30
Milford Docks, Lord Nelson Hotel, Milford Haven, Dyfed, 11.00
Property Hldg and Inv Tst, London Marriott Hotel, Grosvenor Square, W, 12.20
Webber, Great Eastern Hotel, Liverpool Street, EC, 12.00

BOARD MEETINGS—
Finals:
Dalgety of Yorkshire
Castle Eng
May and Hassell
Interims:
Bio-Isotopes
Domar
Denmans Electrical
Securiguard
Webber Electro Components

DIVIDEND & INTEREST PAYMENTS—
[illegible]

TOMORROW

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

WEDNESDAY JULY 11

COMPANY MEETINGS—
[illegible]

THURSDAY JULY 12

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

FRIDAY JULY 13

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

SATURDAY JULY 14

DIVIDEND & INTEREST PAYMENTS—
[illegible]

SUNDAY JULY 15

DIVIDEND & INTEREST PAYMENTS—
[illegible]

New developer for Isle of Man freeport

A NEW developer is to take over the Isle of Man's freeport at Ronaldsway Airport, subject to approval by the Tynwald tomorrow.

Wheo the scheme was launched, a developer was to work oo the freeport in conjunction with the Manx Government.

It is oow proposed that the British Land Company finance the construction of the freeport, be responsible for its promotion, marketing and development and immediately build 5,000 sq ft of industrial buildings.

It would be giveo a 125-year lease and have to pay half its reot income to the Governmeot. Mr J. Nivison, the freeport authority vice chairman, said there would be little cost to the Manx taxpayer.

Marks and Spencer

FOOD, footwear and homewear at Marks and Spencer had performed well io the curreot year, Lord Sieff, the chairman, told the AGM.

However, ladies' outerwear and childreo's wear sales had beeo "below expectations," he added.

James Buxton, recently in Belo Horizonte, reports on the unexpected rewards reaped by an Italian car group's determination in South America

Fiat leads Brazil's private-sector exporters

WHEN FIAT decided in 1973 to start making cars in Brazil and exploit the fast expanding Brazilian domestic market, it hardly expected that 10 years later it would be congratulating itself on becoming the country's leading private-sector exporter.

In those days it reckoned that the Brazilian market would by now be absorbing well over 1m cars a year. In fact, as a result of the recession, it is expected to take only about 700,000 cars this year, and to grow only sluggishly in the next few years.

So Fiat's exports last year of cars and engines worth more than $300m made a big contribution to sustaining the Turin-based company's Brazilian operations, in which it has invested nearly $600m since the mid-1970s. Fiat has therefore pushed forward the process whereby Brazil has turned into a small but significant supplier to other parts of the world's motor industry.

Fiat'a manufacturing operations in Brazil have, however, been through many vicissitudes along the way and by 1983 had accumulated losses of about $600m. It was only last year that Fiat Automoveis, the Brazilian subsidiary, made its first operating profit since it began producing cars in 1976. In the past three years the parent company in Turin, Fiat Auto, which heads the car division of the *Fiat SpA* group, has had to put in $300m of new capital.

Part of that went to preparing for the introduction in Brazil this autumn of the Fiat Uno – a clear sign that Fiat is not only locked in Brazil but is determined to stay there. The company's confidence in Brazil is underlined by its withdrawal in the past two years from car making and assembly in the four other South American countries in which it has been involved: Argentina, Chile, Colombia and Uruguay.

Brazil is now Fiat's second largest area of operations outside Italy, although its losses mar the performance of Fiat Auto. Last year Fiat Auto made the first profits since it was set up as a separate company in 1979.

For years, Fiat had virtually ignored Brazil, concentrating on Argentina, where it did well in the 1950s and 1960s. But Fiat began to realise that Argentina, with its haphazard economic management, low population growth and relatively unproductive workforce, was no match for Brazil with its soaring population (120m against Argentina's 28m) and an industrial labour force now considered the keenest and most easily trained in South America.

Other car makers had already appreciated that: Volkswagen, with half the Brazilian car market in 1979 – when it reached a record level of 900,000 cars – was flanked by General Motors and Ford. Fiat believed it could sell between 180,000 and 200,000 cars a year in a market that seemed set to go up to 1m or 1.2m units a year in the early 1980s.

Fiat decided not to follow the other companies to Sao Paolo, Brazil's main industrial centre, but to go to Belo Horizonte in Minas Gerais State – a decision determined by the state Government's offer of cheap land and the 45 per cent stake in Fiat Automoveis it took to get Fiat going and create its own industrial zone. But the decision also meant that Fiat faced higher transport costs, being further away from suppliers and the big markets.

From the start, Fiat had to spend more than it planned, because the decision to go in was taken before the 1974 oil price rise. It borrowed heavily in dollars. Soon after car sales began in 1976, the Brazilian car market faltered for the first time. "Everything was out of phase," says Sig Silvano Valentino, managing director of Fiat Automoveis.

Even so, the car Fiat introduced into Brazil was well received. The *Fiat 147 is a version of the small Fiat* 127 specially strengthened for Brazilian roads and the long journeys Brazilians make. Fiat was also the first company to produce a car powered by alcohol made from sugar cane, in response to the Governmeot's crash programme to cut oil imports.

But the car, which the company says was more sophisticated than its rivals at the time, was also relatively expensive to buy. Although Fiat won 12 per cent of the record 1979 market, the market collapsed the next year under the second oil shock, going down by 40 per cent.

"We suffered most because the other companies were much more rooted in the market and had lower capital costs," says Sig Valentino. "They also improved their products to compete with us. We had the frustration of having output much lower than our investment costs warranted, and unlike them we were having to teach our workforce an industrial culture for the first time."

A plant built to producte 200,000 cars a year and a further 150,000 engines, with its foundry nearby, under a separate company, to make engine blocks and other steel and aluminium parts, was making little more than 100,000 cars a year. Fiat *reacted by putting its 7,000-strong* factory workforce on to a single shift instead of the intended two, and cutting white-collar staffing levels to the bone. There was nothing for it but to step up exports.

Exports had always been a minor part of Fiat's plan. The Brazilian Government's stringent curbs on imports of machinery and components are eased a little for companies that promise to export. Fiat is committed to export $150m worth of products by 1985, with higher targets for later years. Yet by 1983 exports had already totalled $1.4bn.

The original intention had always been to export engines and spare parts and cars to other Latin American markets. Those progressively collapsed. But in 1981, Fiat began exporting cars outside Latin America.

In 1982, some 103,000 cars were exported to a value of $380m, and although the number fell to 75,000 in 1983 it was still slightly more than the 71,000 cars sold on the Brazilian market. Fiat exports cars, pick-ups, and Fiorino vans based on the 127/147 to such places as Venezuela, Argentina, West Africa, Algeria, and Taiwan, and even sells about 10,000 127's a year to Western Europe, including Italy. Diesel mo*tors made at Belo Horizonte are* shipped to Italy for installation in such cars as the Fiat Uno diesel.

Yet exports did not make Fiat Automoveis profitsble. The original target year for breaking even, 1981, came and went with another loss, although exports are subsidised by the Government in the form of a rebate on Brazilian sales tax – a concession that Fiat reckons is worth 26 per cent of the invoice price on exported products.

Exports still made losses, until in February 1983 the Brazilian Government devalued the cruzeiro by 30 per cent – having in many people's view kept it overvalued too long. That played a leading role in allowing Fiat Automoveis to make its first operating profit last year – amounting to some 22 per cent on sales of $650m. However, the effect of devaluation on debt contributed heavily to a net loss of about $40m.

Brazil has told the International Monetary Fund that it will reduce the export subsidies by mid-1985, but no one in business believes they will fail to be replaced by something else, since exports are crucila if the country is ever to service its colossal debt.

Fiat's main objective in Brazil is still the local market, where things are tough. It has beld on to about 10 per cent of a market for cars and light vans that rose just 7 per cent last year to 687,000. The market has become intensely competitive, with the other manufacturers bringing out more sophisticated models than Brazil has seen before – such as the Ford Escort, which is exported to Scandinavia, and the GM Chevette – and is subject to price control. Both the U.S. groups are eating into Volkswagen's market share.

Fiat bas suffered from baving had only one model – with different versions – for too long, limiting what its dealers could offer to the public. That is to be remedied with the introduction of the Uno in September. It ought to appeal both to the less well-off Brazilian car buyer, and to the richer ones who appreciate its style and degree of comfort. The 147 will stay on, and there are plans for introducing a new car specifically designed for the Brazilian market in the next year or so.

Even so, Fiat is expecting its market share to rise only a percentage point or so a year with the help of the Uno, and Sig Vincenzo Barello, the marketing director, does not expect the car market to regain the levels of 1979 until the end of this decade.

So has it all been worth it? Mistakes were made: the plant is too big for the market, Fiat borrowed too heavily – and in revaluation-prone dollars – rather than injecting sufficient capital; and it was slow to introduce new models. Although the figures are necessarily hazy because of the devaluation of the cruzeiro, Fiat put in $280m up to 1982, when the company had to be recapitalised, costing the Italian company another $200m. A further $100m had to be put in last year.

But that leaves out the contribution of the minority shareholder, the State of Minas Gerais, which bas put in $370m in capital, and yet – because it could not afford to subscribe to the last recapitalisation – has seen its stake go down from 45 per cent to 17 per cent. Its profits too are in the future, although it has got the industrial zone it wanted, even if that looks a little recession-worn now.

"What we beve finally got is a very efficient machine which will eventually make a lot of money," says Sig Giorgio Tagliavini, managing director of the local holding company, Fiat Brazil. He points out that Fiat has restructured its borrowing of $200m so that two thirds is in local currency, without exchange risk, and Fiat executives like to claim tbnt todny it would cost $1.5bn to create what they have got.

They draw comfort from the fact that Fiat Automoveis broke even on a net basis in the first few months of this year. Now it is up to Brazil to fulfil expectations.

Gulf Canada drilling crucial for Beaufort

BY ROBERT GIBBENS IN MONTREAL

THIS season's drilling in the Beaufort Sea's deeper waters will be critical for the future course of exploration. Gulf Canada Resources must come up with indications of commercial oil at its Pitsiulak and Amauligak locations, or exploration in the Canadian Beaufort will run down swiftly.

Gulf and partners have about 350m barrels in Tarsiut, near Pitsiulak, but need at least 700m in proved reserves to justify starting development. Testing of Pitsiulak starts this week, with results due in late July.

Gulf has invested more than C$600m (U.S.$452m) in unique drilling equipment for the Beaufort and is operator and 51 per cent owner of Pitsiulak.

Success at the two wells being tested this year would mean Gulf would apply for a production permit next year, in partnership with Imperial Oil (Exxon) which first found oil in the MacKenzie Delta at Adkinson Point in 1971 and has since found more in shallow waters offshore.

A small diameter pipeline down the MacKenzie Valley to Norman Wells and Northern Alberta would be possible.

Closing prices, July 6

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21	13¾	AAR	.44	2.1	22	21	21	20¾	20⅞	+⅛
22	14½	AMCA	n	1.7	0	10	14½	d14⅞	14¼	−¼
[illegible]	15⅝	AMF	.50	2.8		264	16½	16⅛	16¼	
41¾	25⅝	AMR Cp			5	3330	30½	29¾	29⅞	−¼
[illegible]	17¾	AMR	pf2.18	11		16	19½	19¼	19⅜	+⅜
41½	29⅜	ANR	pf2.13	6.5		171	32½	32	32½	−¼
[illegible]	9⅝	APL			4	36	10¼	10½	10⅝	+⅛
55¾	40¾	ARA	2.18	4.4	10	1334	48¾	46¾	48	+1⅛
72⅝	50¾	ASA	3a	5.8		2135	51½	d49½	51½	−¼
30¾	17	AVX	.32	1.6	15	132	20⅛	19¾	19⅞	−⅛
43⅞	36¾	AbtLab	1.20	2.6	14	1814	43⅛	42½	42⅞	−¼
30¾	23¾	AccoWd	.60	2.1	16	148	29½	38	29¼	
27¾	16½	AcmeC	.40	2.4		22	16⅞	16½	16¾	
12½	8½	AcmeE	.32b	3.7	24	9	8⅝	8½	8⅝	
22⅞	11	AdaDg	.04	.3	7	15	12⅝	12½	12½	−⅛
18¼	15	AdaEx	2.11e	14		18	15¼	15⅛	15⅜	−⅛
19¾	12½	AdmMI	.28	2.1	6	117	13⅜	13	13⅜	−⅛
31	13½	AdvSys	.611	5.2	15	18	15¼	15⅜	15⅝	−⅛
19¼	7½	Advest	.12	1.4	11	15	8⅝	8½	8⅝	−⅛
37½	25⅛	AMD	s		25	4168	31¼	29⅞	30½	+¼
22⅞	9⅝	Aeroflex			11	37	11¼	11⅛	11¼	−⅛
40⅞	29¾	AetnLf	2.64	8.8	10	1241	30½	29⅞	30	+⅛
35½	15¾	Ahmns	1.20	6.6	4	686	18⅝	18¼	18⅜	−¼
7⅝	2¼	Aileen				96	2¾	2⅝	2¾	
51	30½	AirPrd	1	2.4	18	818	42¼	41⅝	41⅝	−⅛
22⅞	16	AirbFrt	.60	3.5	10	5	17	17	17	−⅛
3½	1⅝	AlMoa	s			35	3¼	3¼	3¼	
[illegible]	26¾	AlaP	pfA3.92	14		1	27¼	27¼	27¼	
[illegible]	6	AlaP	dpf.87	13		22	6½	6⅝	6⅝	

Continued on Page 27

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, July 5

[illegible]

Continued on Page 28

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 26

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
57⅞	45	Wrigly	1.80	3.3	10	81	55⅛	54½	55	
8½	5⅛	Wurlitzr			12	11	5⅛	5⅛	5⅛	
25⅞	12	WyleLb	.32	2.3	10	32	13⅞	13½	13⅞	+ ⅛
21⅞	16½	Wynns	.60	3.3	10	8	18	17½	18	+ ½
X–Y–Z										
52⅞	36	Xerox	3	7.7	6	896	38⅞	38⅛	38⅞	− ⅛
51¼	45¾	Xerox	pf5.40	12.		2205	46⅝	46⅜	46¼	− ½
37	21⅞	XTRA		2.8	9	5	22⅞	22⅞	22⅞	− ⅛
24⅞	15½	Zapata	.84	4.8	10	412	17	16⅞	17	+ ⅛
47½	28¼	Zayre	.40b	1.0	11	1467	39½	38⅞	38⅞	− 1⅛
38⅞	22½	ZenithE			10	270	23¾	23½	23¾	
27⅞	18	Zero	s .36	1.7	17	31	21½	21⅛	21½	− ⅛
34	21¼	Zurnin	1.32	5.8	12	90	23	22⅞	22⅞	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

OVER-THE-COUNTER

Nasdaq national market, closing prices, July 6

CANADA

TORONTO

Closing prices July 6

AUSTRIA

1984 High	Low	July 8	Price %
222	206	Credit'stalt Pfd.	208
343	318	Goesser	333
410	397	Interunfall	398
210	203	Laenderbank	205
389	300	Perlmooser	343
162	141	Steyr-Daimler	142
220	209	Veitscher Mag	217

BELGIUM/LUXEMBOURG

1984 High	Low	July 6	Price Frs.
1,873	1,220	ARBED	1,330
6,200	4,965	Bang Int A Lux	6,050
4,489	3,195	Bekaert B	3,600
2,465	2,010	Ciment CBR	2,326
328	175	Cockerill	239
6,850	4,730	Delhaize	4,820
2,790	2,290	EBES	2,450
7,150	5,860	Electrobel	6,680
2,425	1,81	Fabrique Net	1,819
3,995	3,060	GB Inno BM	3,130
2,800	2,149	GBL (Brux)	2,830
3,300	2,270	Gevaert	3,113
2,480	6,000	Hoboken	0,120
2,170	1,205	Intercom	1,860
7,500	6,220	Kredietbank	6,600
19,900	2,020	Pan Hldgs.	9,500
2,210	5,010	Petrofina	6,590
9,580	7,329	Royale Belge	8,200
3,300	2,600	Soc. Gen. Banq	3,040
1,250	1,050	Soc. Gen. Belge	1,710
0,840	3,190	Sofina	6,070
4,353	6,660	Solvay	3,050
4,300	3,125	Tractionel	6,450
5,440	3,795	UCB	4,400
4,850	3,700	Vieille Mont.	0,800

DENMARK

1984 High	Low	July 6	Price Knr. %
480	323	AarhusOlie	445
362	217	Andelsbanken	925m
705	510	Baltic Skand	650
350	207	CopHandelsbank	250
850	390	D. Sukkerfab	650
335	200	Danske Bank	220
218	103	East Asiatic	188
1,250	850	Forenede Brygg.	600

FRANCE

GERMANY

NETHERLANDS

SWITZERLAND

ITALY

NORWAY

1984 High	Low	July 6	Price Kroner
190	142.5	Bergens Bank	150
340	213	Borregaard	240
190	148	Christiania Bk.	157
188.8	143	Den Norsk Credit	133
187,3	113	Elkem	133
326	252	Norsk Data	283,3
687.51	512.5	Norsk Hydro	695
272.9	186	Storebrand	198

AUSTRALIA

1984 High	Low	July 6	Price Aust. $
9.14	4.48	ANZ Group	4.75
1.80	1.43	Acrow Aust	1.52
0.90	0.50	Alliance Oil D.	0.60
2.11	1.40	Ampol Pet	1.48
1.82	1.65	Aust Cons Ind	1.78
3.10	2.35	Aust Guarant	2.45
2.75	1.99	Aust Nat Inds	2.00
2.46	1.80	Aust Paper	2.12
9.40	5.80	Bell Group	4.30
1.62	1.20	Bond Corp Hldgs	1.40
3.63	3.02	Boral	3.43
2.72	1.70	Bl'ville Copper	1.70
0.52	2.60	Brambles Inds	2.20
3.62	2.10	Bridge Oil	2.22
12.19	9.24	BHP	9.32
0.90	4.48	CRA	4.03
4.28	2.96	CSR	3.13
4.36	3.82	Carlton & Utd.	4.30
5.50	4.08	CastlemaineTys.	4.30
4.18	3.30	Coles (G.J.)	3.60
3.23	2.10	Comalco "A"	2.43
1.30	0.41	Consolidated Pet	0.92
1.40	1.10	Costain Aust.	1.20
1.74	1.45	Dunlop Aust.	1.70
6.40	4.25	E.Z. Inds.	5.02
4.33	3.50	Elders IXL	3.73
1.80	1.30	Energy Res.	1.50
2.39	1.06	Gen Prop Trust	2.02
3.23	2.88	Hardie (J.)	3.14
3.3	1.90	Hartogen Energy	2.19
3.6	2.95	HeraldW'y Times	3.22
2.46	1.75	ICI Aust.	1.80
0.38	0.18	Jimb'lana(50cFP	0.24
0.20	0.12	Kia Ora Gold	0.14
5.06	4.43	Lend Lease	4.73
3.95	2.3	MIM	2.88
2.20	2.12	Mayne Nickless	2.40

SINGAPORE

SPAIN

SWEDEN

HONG KONG

1984 High	Low	July 6	Price H.K.$
29.7	18.1	Bank East Asia	18.1
10.6	6.93	Cheung Kong	6.95
14.6	10.6	China Light	10.6
2.87	1.63	Hang Lung Devel	2.3
47.0	30	Hang Seng Bank	30.25
7.4	6.1	HK Electric	6.26
4.7	3.00	HK Kowloon Wh.	3.0
4.3	2.4	HK Land	2.4
7.72	5.7	HK Shanghai Bk.	5.7
49	36.3	HK Telephone	43
13.3	9.65	Hutchison Wpa.	9.65
14.3	7.05	Jardine Math	7.05
4.02	2.25	New World Dev.	2.82
2.87	2.02	Orient O'seas	2.02
4.0	2.03	O'seas Trust Bk.	2.65
8.3	4.26	SHK Props.	4.95
21.0	14.0	Swire Pac A	14.4
4.2	2.8	Wheel'k Mard A	2.8
2.3	1.84	Wheel'k Maritime	1.0
2.6	1.66	World Int. H'ldgs	1.66

JAPAN

1984 High	Low	July 6	Price Yen
1,180	980	Ajinomoto	1,130
2,250	1,230	Alps Electric	2,050
1,410	985	Amada	1,080
640	405	Asahi Chem	532
212	955	Asahi Glass	780
033	327	Bridgestone	364
1,610	1,080	Canon	1,190
1,330	1,130	Casio Comp	1,190

SOUTH AFRICA

AMERICAN

Continued from Page 27

Continued on Page 29

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 28

Stock	Div.	Sales (Hnds)	High	Low	Last	Chng
SonocP	1.20	3	41½	40⅞	41⅛	+½
SoneFd		13	21¼	21¼	21¼	
SthdFn	.52	89	20⅞	20¼	20⅛	
Soutrst s	.88	60	16½	15⅞	16½	+¾
Sovrgn	.10	118	6¾	6⅝	6⅝	
Sovran	1.50	270	30	29¾	29¾	
SpcMic		10	2⅞	2⅞	2⅞	-⅛
SpanA		34	4⅞	4⅞	4⅞	-⅜
Speed s		239	9¾	9½	9½	
SpecCd	.05	55	7⅛	6⅞	6⅞	-¼
StatBld	.20	59	9¾	9⅝	9⅝	
Standyn	1.92	8	47½	47	47	
StdMic s		1197	23¼	22⅝	22⅝	-⅛
Standn s		24	6⅝	6⅝	6⅝	
StaStB	1	95	33⅞	33¼	33½	-¼
StateG s	.15b	24	6⅞	6¾	6⅞	-⅛
Staiger		28	8	7½	7½	-⅜
StemrL		15	4⅝	4⅝	4⅝	
StewStv		534	12⅞	12¼	12⅝	+¼
Stwinf	.68	89	20	19¾	19¾	
Straus		98	9¼	9½	8¼	
StrwCl s	.90b	28	37¼	36⅞	36⅞	+⅛
Stryker		74	21⅛	21	21	-⅛
StuartH	.05	37	4½	4⅛	4⅛	+⅛
Subaru	1.24	5	92	91⅛	92	
SubrBc	1.84	37	34⅛	33⅞	33⅞	
Summa		612	4⅛	3⅝	4⅛	+½
SumtHl	.05e	329	5⅞	5⅝	5⅛	-⅛
SunCst		29	3⅞	3⅝	3⅞	+⅛
SunSL s		22	15	14¼	14¼	-¾
SupSky		54	8⅛	8	8⅛	-⅛
SuprEq		109	7½	7¼	7¼	-⅛
Sykes		146	3	2⅞	3	
SymbT		28	7⅞	7¼	7⅜	
Syncor		17	5⅛	4⅞	5⅛	
Syntech		83	10	9½	10	-⅛
Syntrex		134	4⅞	4⅛	4⅞	
Syscon	.24	1	16	16	16	
SyAsoc		312	19¼	18½	18½	-⅛
Systin		181	8¼	7½	7½	-⅛
Systmtg		40	10¼	9⅞	10¼	
SystGn s		08	6¼	6⅝	6⅝	+⅛
Systmt s	.03	10	13½	13	13⅛	-⅜
SCT Cp		154	24⅛	24⅛	24⅛	-½
T—T						
TBC		1	10¼	10¼	10¼	+½
TCA Cb	.12	4	12¼	12¼	12¼	
TacViv s		10	7½	7½	7½	-⅛
Tandem		1794	23½	22⅝	23¼	-¼
Tandon		4657	8¼	8⅝	8¼	
TcmA s	1	100	18	17¾	17¾	+⅛
TelPlu s		265	9¾	9½	9⅝	-⅛
Telcrd	.28	219	19¼	18¾	18¾	-½
Teleplot		170	13⅞	13¾	13¾	
Telvid		792	5	5⅛	5⅛	-⅛
Telabs s		174	24	23½	23½	-½
Telxon	.01e	31	10¾	10½	10½	-½
Tennco		28	6¼	6⅞	6⅞	-⅛
TermD s		10	11	11	11	-⅛
Texdata		6	3¾	3¾	3¾	-⅛
TexFdl	1	1	39¾	39¾	39¾	
Texon		13	2⅞	3⅝	3⅝	-⅛
Textna	.25e	7	15	14½	14½	-½
TherPr		130	9½	9¼	9⅜	
Thetfd		62	7⅛	7⅛	7⅛	+⅛
ThdNt s		27	24	23¾	23¾	-⅛
Thortec		80	5⅞	5⅛	5⅞	+⅛
ThouT s		779	22⅞	22⅛	22⅞	+⅛
TmeFib		39	8	8⅛	8⅞	+⅛
Tiprary	1	48	4½	4½	4½	
TotlSy		5	17½	17	17½	
TrakAu		3	14⅛	14⅛	14⅛	-⅛
TriadSy		60	10	9½	10	
TrusJo	.36	25	24¼	23¾	23⅞	-⅜
TBkGa s	.80	94	26½	26⅛	26⅛	-⅛
TuckDr		38	7⅛	7⅛	7⅛	+⅛
TwnCty		41	2	1⅞	1⅞	
U—U						
UTL s		15	18½	18	18	
Ultrsy	.06e	852	20	19½	20	+⅛
Ungmn		33	12¼	12	12	-⅛
[illegible]						

Indices

NEW YORK — DOW JONES

	July 6	July 5	July 3	July 2	June 29	1984 High	1984 Low	Since Compil'tn High	Since Compil'tn Low
♦Industr'ls	1122.57	1124.56	1134.28	1130.06	1132.40	1286.64 (10/1)	1086.90 (15/6)	1287.2 (19/11/83)	41.22 (2/7/32)
H'me Bnds	64.85	—	(u)	64.96	64.90	71.75 (5/1)	64.81 (23/5)	—	—
Transport	474.69	476.82	479.42	472.32	474.18	612.63 (10/1)	451.87 (15/6)	612.63 (10/1/84)	12.32 (8/7/32)
Utilities	125.67	124.47	124.57	124.47	124.28	131.88 (5/1)	122.75 (15/6)	165.72 (20/4/69)	10.5 (28/4/42)
TradingVol 000's	65,850	65,100	60,960	69,230	99,770	—	—	—	—

♦Day's high 1127.10 (1130.47) low 1112.19 (1122.84)

	June 22	June 15	June 8	year ago (approx)
Industrial div. yield %	5.01	5.21	4.96	4.45

STANDARD AND POORS

	July 6	July 5	July 3	July 2	June 29	1984 High	1984 Low	Since Compil'tn High	Since Compil'tn Low
Industr'ls	173.27	174.01	175.15	174.14	174.75	186.24 (6/1)	153.26 (15/6)	194.84 (10/10/83)	3.52 (30/6/32)
Comp's'te	152.24	152.76	153.1	151.95	152.16	162.28 (6/1)	149.25 (15/6)	172.65 (10/10/83)	4.40 (1/6/32)

	June 27	June 20	June 13	year ago (approx)
Industrial div. yield %	4.27	4.19	4.27	3.90
Industrial P/E ratio	10.75	10.96	10.77	14.51
Long Gov. Bond yield	13.63	13.51	13.54	11.02

N.Y.S.E. ALL COMMON

July 6	July 5	July 3	July 2	1984 High	1984 Low
87.90	88.17	88.62	88.35	97.71 (6/1)	86.17 (13/6)

Rises and Falls	July 6	July 5	July 3
Issues Traded	1,936	—	1,955
Rises	533		820
Falls	908		644
Unchanged	495		472
New Highs	10	12	15
New Lows	104	81	58

TORONTO

	July 6	July 5	July 4	July 3	1984 High	1984 Low
Metals & Minls	1894.5	1818.5	1851.5	1859.5	2584.4 (12/1)	1804.8 (6/7)
Composite	2205.83	2215.1	2215.1	2229.5	2585.7 (6/1)	2187.2 (24/6)
MONTREAL Portfolio	107.75	108.86	108.11	108.37	127.85 (13/1)	105.84 (24/6)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Transco	1,339,900	53	+2¾	Homestake	568,400	21⅞	+⅛
ATT	936,100	17⅞	-⅛	Hewlt.-Pack.	554,700	36	-1⅛
Cont. Ill.	697,400	4⅝	-⅛	Pan Am. Air.	532,400	4⅝	-⅛
Diam. Sham.	641,900	20⅞	+1¾	IBM	521,400	105⅞	+1⅝
St. Oil Ind.	583,800	56⅞	-⅞	Digital Eq.	516,800	81⅞	+1⅛

Stock	Sales (Hnds)	High	Low	Last	Chng	Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]						[illegible]					

CONSTRUCTION CONTRACTS

£12.5m work for Wimpey Construction UK

build a new telephone exchange at Ibri, while at Izki, again for the Ministry of Posts and Telecommunications, Douglas is to build a radio tower valued at around £100,000.

*

WIMPEY CONSTRUCTION has won orders worth £12.5m. The Property Services Agency has awarded the Glasgow office a £10.8m management contract for phase two of a category three prison complex at Shotts, Strathclyde. This phase will comprise accommodation for 480 prisoners, complete with facilities for physical recreation, kitchens, stores, reception area, the fitting out of a workshop. Sleeping accommodation will be in two pairs of three-storey 117-cell blocks, each linked by corridor to the others. A new operations room will be formed on the first floor of the existing operations block and will house monitors, alarms and communication plant.

The London office has been awarded two contracts by the Borough of Ealing. Under the first, valued at £1.68m, Wimpey will modernise 110 dwellings on the Village Park Estate. A second contract calls for a £1.2m refurbishment of 112 dwellings on the Cuckoo Estate, Hanwell. Both contracts entail extensive internal and external modernisation, with installation of new kitchens, bathrooms and central heating.

*

BALFOUR BEATTY CONSTRUCTION has been awarded a contract by Yoker Housing Association. Valued at £1m, the 48-week contract is for the complete rehabilitation of four-storey tenement and common closes in Dumbarton Road, Yoker, Glasgow. The works will partially comprise major structural repairs including taking down and rebuilding large areas of front and rear walls, and underpinning. Balfour Beatty Construction (Scotland) has been awarded a 15-month contract worth £636,000 by the Fife Regional Council, for construction of a 50 x 100 x 6 metres high reinforced tank at Finmont service reservoir, Glenrothes.

*

Three contracts, together worth over £2m, have been won by W. SNAPE AND SONS, Manchester. In Bury, the company is constructing a coal-fired boiler house worth £1.4m at the town's Fairfield General Hospital, awarded by the North Western Regional Health Authority. In Standish, Wigan, 23 factory units on the Bradley Hall Trading Estate for William Ainscough Investments, value £430,000; and erection of a vehicle maintenance workshop and offices at Trafford Road, Salford, for Transport Leasing Services, worth £220,000.

*

W. E. CHIVERS & SONS has been awarded a £2m-plus contract by the Department of Environment Property Services Agency. The contract, which should be completed within 87 weeks, is for the refurbishment of hangars and the construction of new two-storey extensions at HMS Sultan at Gosport in Hampshire. In addition to building new extensions and the demolition of existing annexes, some hangar and workshop roofs are to be removed and replaced. The project involves extensive mechanical and electrical services, external drainage, paved areas and landscaping.

*

Almost £3m worth of contracts have been won by A. MONK & CO. Work includes the construction of a building extension, all associated electrical, heating, ventilation, water and drainage services, together with a separate entry control building and access road for the Property Services Agency at RAF Chicksands in Bedfordshire. Other contracts cover construction and improvement work to the A509 in Buckinghamshire between the Emberton By-pass and Olney Bridges for Buckinghamshire County Council; realignment and widening of part of the A37 in Dorchester for Dorset County Council; and construction of a piled conveyor base, trestles and junction tower foundations in Billingham for Fairport Engineering.

£5.4m London job for IDC

The IDC GROUP, Stratford-upon-Avon, has been awarded a £5.4m design and construct contract by May & Baker for the design and construction of a solid dose manufacturing unit at its Dagenham site. The project comprises the construction of 3,584 sq metres of floor area for pharmaceutical manufacture and 1,790 sq metres of plant room floor area, within a new three-storey building together with 2,283 sq metres of refurbishment to existing buildings to be used for pharmaceutical production and storage. The buildings will generally be constructed to clean room standards with high quality finishing and extensive mechanical and electrical services. The ceiling voids to the manufacturing areas are of 2.5m average height and will be used for distribution and maintenance of services.

*

Contracts totalling £3.2m have been awarded to Norwest Holst for building and civil engineering work. Norwest Holst Civil Engineering has begun work on a contract for the Ouse division of Anglia Water to construct a new aeration tank with ancillary pipework, together with refurbishment of existing pumping station at Ravensthorpe Reservoir, Northamptonshire. Work is due for completion September 1985. Norwest Holst Scotland has started work at the Westfield Development Centre, Fife, for British Gas Corporation. The building is on piled foundations, with a steel frame and part cavity wall and part steel cladding. Work includes all services, associated access road, paved areas and drainage. Completion is expected in November 1984. Extensions, improvements and alterations are being carried out to the 3M factory at Gorseinon, West Glamorgan, the large video plant.

*

A shopping development in the West Midlands is included in contracts, together worth more than £5m, awarded to TARMAC CONSTRUCTION. Work has just started on building a precinct of 22 shops and offices at the junction of High Street and Moor Street, Brierley Hill. The project, valued at more than £2m, is for Hardanger Properties and is scheduled for completion in autumn next year. In the East Midlands, a contract worth nearly £1.3m has been awarded for modernising and repairing 195 homes at Chaddesden, Derby, for Derby City Council.

Other Tarmac Construction projects include new metro stations at Pelaw and Kingston Park, Newcastle-upon-Tyne, for Tyne and Wear Passenger Transport Executive (£557,000); roads and sewers at Waterside Park, Bracknell, Berkshire, for the Scottish Provident Institution (£383,000); and extensions and modifications to a plant at Sheffield for Union Carbide UK (£299,000). Tarmac Refurb, the refurbishment specialist company, has a £468,000 contract for alterations to Charles House, Birmingham, for the Colonial Mutual Assurance Society.

*

Two new storm-relief projects, worth jointly over £3.3m, have been awarded to FAIRCLOUGH CIVIL ENGINEERING. The tunnelling division is to construct nearly 3,000 metres of tunnel for the Thames Water South London Division as part of stage one of the Effra storm-relief scheme. In internal diameters of 2.54 metres (in wedgeblock segments) and 1.83 metres (in Bucline segments), the tunnel will be built at depths up to 15 metres with six access shafts, four interceptor shafts and associated chambers. The concrete segments will be designed and made by C. V. Buchan (Concrete), a member of Fairclough Civil Engineering. Providing storm relief to an existing system now 120 years old, the tunnel will help relieve periodic flooding between Brixton and Herne Hill in the London borough of Lambeth. The contract is due for completion in April 1986. The same division has won a contract from the City of Birmingham, acting as agents for the Severn-Trent Water Authority, for a flooding-relief scheme at Rectory Road in Sutton Coldfield. The system will consist of about 180 metres of precast concrete bolted segmented tunnel and 1,000 metres of opencut trenching. Concrete segments for this tunnel will also be made by C. V. Buchan (Concrete). Already underway, the Rectory Road project is programmed for completion in early 1985.

*

The Orpington-based NEILCOTT GROUP has been commissioned to give a leading Dubai hotel a £2m face-lift. Work on the five-star Dubai Metropolitan Hotel will be spread over the next two years although the first stage will be completed by the end of November in time for British Week which is hosted annually by the Metropolitan Hotel and which incorporates the Dubai Horse Show staged at the hotel with top riders from Britain and the Gulf.

Wiggins has £5m batch

Contracts worth over £5m have been won by the contracting division of the WIGGINS GROUP in the last four months. A total of 20 contracts ranging from a hospital extension for the University Hospital of Wales to sheltered housing at Faymore Gardens in South Ockenden and several smaller contracts in the hotel and licensing area. Work includes: 22 houses with garages at London Road, Swanley (£241,000); a home for the mentally handicapped, Shernbroke Road, Waltham Abbey (£654,000); 28 flats and a warden's house at Faymore Gardens, South Ockenden (£697,000); a new factory unit at Bolina Road, London SE16 (£878,000); an extension to Beeston Rylands Junior school, Beeston, Notts (£285,000); ground floor and basement refurbishment to The Red Lion, Lombard Court (£184,000); demolition and construction of cold storage room and offices at Coldharbour Lane, London SE5 (£546,000).

£12m City of London office development

RUSH & TOMPKINS property division has started work on a £12m office development in the City of London on the corner of London Wall and Aldersgate Street, opposite the Barbican. The development comprises 38,000 sq ft of air-conditioned offices arranged on ground and six upper floors, and will be available for occupation in July 1986. Rush & Tompkins is developing the site under revised planning permission which allows construction of a new building. Originally parts of the existing Victorian building were to be retained and refurbished. Demolition of existing buildings has commenced. The cleared site will be investigated by the Museum of London for four months because of its close position to the London Wall. The site also once housed the Cook's Hall, and has been owned by the Worshipful Company of Cook's of London since 1500 AD.

*

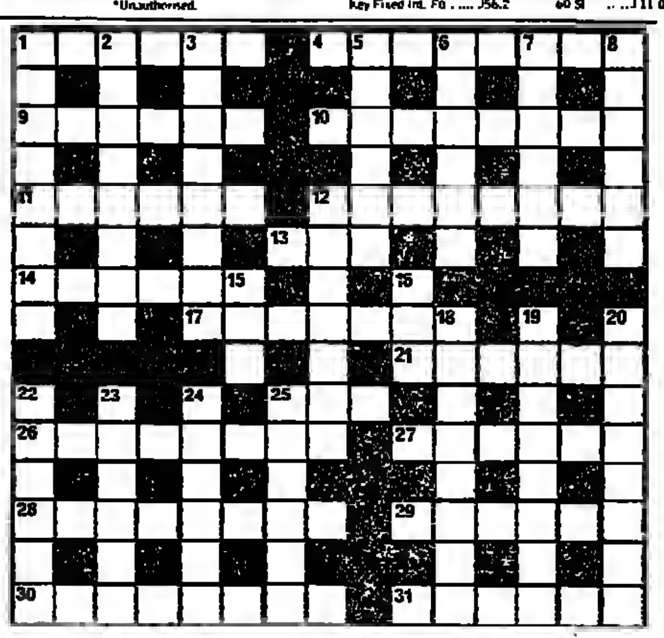
Three of R. M. DOUGLAS CONSTRUCTION'S associate companies in the Middle East—Khansaheb Civil Engineering, Dubai; Al-Esayi Noman Douglas, Saudi Arabia and Douglas OHI LLC, Oman, have won contracts worth £10m. Khansaheb has won five contracts worth £5.57m in Dubai and Sharjah. Heading the list is an extension to the Hilton Hotel, Dubai, for Hilton International; roadworks at Qusais for the Dubai Municipality costing £1.9m; a contract worth £670,000 from the N.E.C. Sumitomo Corp. of Japan for civil works for the Arabsat Satellite at Dhaid; and a contract worth £600,000 for the building of five standard telecommunication buildings for Emirate Telecommunication (Emirtel) also in Dubai. A further contract covers the building of a new central stores and warehouse for the Sharjah Electricity and Water Authority valued at around £500,000. In Saudi Arabia, Al-Esayi Noman Douglas has won a contract worth £2.9m for the building of a workshop complex in Riyadh for the Olayan Saudi Holding Co. Two contracts worth £1m have been won by Douglas OHI LLC, Oman, for the Ministry of Posts and Telecommunications. Douglas is to

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,460



ACROSS

1 Vessel for cooking in (6)
4 Grandfather clock? (3-5)
9 Someone who has graduated tax is regarded as lucky (6)
10 Is beaten and departs, taking a turn round the park (8)
11 Chief city in Italy involved in manufacture of decorative platings (6)
12 It's beneficial to stay with a parish priest (4, 4)
13 Stop for a drink? (3) . . .
14 . . . This stop is ideally suitable (3, 3)
17 Fabric needs adapting (7)
21 Trial makes rather dull progress (3, 3)
25 Oriental manner of addressing female is running through Germany (3)
26 It's a compound of arsenic: note the growth it gives (8)
27 Mushrooms need heat between beginning of spring and beginning of summer (6)
28 Support Socialism and strike! (8)
29 He has a part in fixing betting odds, but is not really to be respected (3, 3)
30 Dismal but with scope for development (4-4)
31 Something like a rush on silver is accepted (6)

DOWN

1 Ready to stand up to trained fighter (8)
2 A tax on sin is one way to restore purity (8)
3 It would be great if there were no more changes ahead of us (8)
5 Used for carrying odds and ends (6)
6 Characteristics which sound very French (6)
7 Make detailed arrangements for survey on strike (3, 3)
8 Comparatively rosy, whichever way one looks at it (6)
12 Music played when students have a ball? (7)
15 VAT is retrospective however (3)
16 The cut-off point has no date on it (3)
18 Get bigger fish by complaining noisily (8)
19 There's a reason for the jobber to put assembly in suspense (8)
20 No deed is able to bring about unilateral change (3-5)
22 Ragged, but with members around to provide support (6)
23 Climber needs to have relative dimensions right (6)
24 Frequently has a joint representative (6)
25 Foreign currency does make changes with copper content (6)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd		511 U	−0 03	—

Inv. Adv. M & G Inv. Mngt Ltd, London.

Wren Commodity Management Ltd.
10, St George's St, Douglas IoM 0624 25015

Wren Com. Fund	17 8	19 6	...	1 10
Chinese Fund	59 5	62 d		1 70
Precious Metal Fund	128 6	133 9		d.30
Vanguard Cmdy Fd	28 5	29 3	...	2.26
Financial Futures Fd	60.5	63 0	...	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Gwth Fd		58 77	−0 06	—

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
Mallinhall Ltd				
16 Berkeley Sq, W1X 5DA. 01-499 6634				
M'hall Mny Fd	8 15	8 41	Qtrl	Call
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	9 25	9 47	6-mth	Call
7-day Fnd	8 54	8 73	6-mth	7-day
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	8 59	8 77	6-mth	Call
7-day Fund	8 39	8 56	6-mth	7-day
Hi Int Cp Acc	8 59	9 77	6-mth	1-day
Dollar	10 80	10 25	6-mth	2-day

Money Market Bank Accounts

	Nom	APR	Int Cr	Notice
Aitken Hume				
30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc	8 25	9.04	Qtrl	Call
Monthly Acc	8 75	9.11	Mthl	Call
Demand Acc	8 56	8.87	Qtrl	Call
Money Acc	8 50	8 77	Qtrl	Ltd 7
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc	9 03	9 38	Mthl	Call
Over £10,000	9 25	9 65	Mthl	Call

NOTES —Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
26Mar 26S	Treas 12pc 1984	100[illegible]	14.5	11.97	10.05
22Aug 22F	Treas. 15pc 1985	102[illegible]	16.1	14.63	10.54
22S 22Mar	Exch 12pc Cnv '85	100[illegible]	14.2	11.89	16.46
21N 21My	Treas 3pc 1985	94[illegible]	16.4	3.18	9.98
15Jan 15Jul	Treas 11½pc 1985	100[illegible]	8.6	11.42	10.78
3Mar 3Se	Treas 8¾pcCnv '85	97[illegible]	29.1	8.96	10.91
22May 22N	Exch 12¼pc 1985	102[illegible]	16.4	12.09	11.11
25Aug 25Fb	Exch. 11¾pc '86	100[illegible]	19.1	11.71	11.47
11Oct 11Apr	Treas 10pcCnv 1986	97[illegible]	5.3	10.26	11.56
19N 19May	Treas 3pc 1986	90[illegible]	12.4	3.37	8.70
19Nv 19My	Exch. 10½pc Cv '86	98[illegible]	12.4	10.67	11.46
12Dec 12Jun	Treas 12pc 1986	100[illegible]	8.5	11.93	11.64
10Ja 10Jul	Treas 8½pc 1984-86‡‡	95[illegible]	8.6	8.95	11.36
29Ap 29Oc	Exch 14pc 1986	104[illegible]	23.3	13.45	11.88
21May 21N	Exch. 2½pc 1986	86[illegible]	16.4	2.89	9.00
22Jul 22Jan	Exch. 13½pc 1987	102[illegible]	15.6	12.88	11.99
10Aug 10Fb	Treas 10¼pc Cv '87	96[illegible]	4.7	10.64	11.96
24Aug 24Feb	Exch 2½pc 1987	84[illegible]	18.1	2.97	9.39
6Oct 6Apr	Exch 10½pc 1987	96[illegible]	1.3	10.89	12.09
3N 1May	Funding 6½pc '85-87‡‡	88[illegible]	26.3	7.38	11.57
12Dec 12Jne	Treas. 10pc 1987	95[illegible]	8.5	10.52	12.03
14Jan 14Jly	Treas. 3pc 1987	83[illegible]	7.6	3.59	9.42
3May 3Nov	Treas 12pc 1987	99[illegible]	27.3	12.03	12.05
26Jul 26Ja	Treas 7¾pc 1985-88‡‡	89[illegible]	19.6	8.70	11.60
10Nov 10May	Exch 10½pc '88	95[illegible]	3.4	11.02	12.04
14Dec 14Jne	Treas 9¾pc Cv '88	92[illegible]	8.5	10.52	12.13
1Jan 1Jul	Transport 3pc '78-88	79[illegible]	25.5	3.79	9.34
25Ap 25Oc	Treas. 9½pc 89	91[illegible]	19.3	10.42	12.17
22Aug 22Fb	Treas 11½pc 1989	97[illegible]	16.1	11.77	12.14
18Oct —	Treas 9½pc Cnv. '89	90[illegible]	—	10.47	12.69
14Dec 14Jun	Treas 10½pc 1989	99[illegible]	22.5	11.[illegible]	12.13

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BEERS, WINES—Cont.

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

			Fin. 13% 97/02	£93¼	......
Albany Inv 20p	80	......	Alliance Gas	65	......
Craig & Rose £1	750xd	......	Arnott	223	......
Finlay Pkg 5p	43	......	C91 Hldgs.	85	......
Higsons Brew	83	......	Carrol Inds.	101xd	−2
Holt (Jos) 25p	800	......	Hall (R. & H.)	55	......
IOM Stm. £1	130	......	Heiton Hldgs.	18	......
			Irish Ropes	42	......
IRISH			Jacob (W. & R.)	65½	......
Exch. 17% 1985	£99	......	I.M.G.	50	......
Nat. 9¾% 84/89	£94¼xd	......	Unidare	80	......

OPTIONS — 3-month call rates

Industrials		Hawker Sidd	38	Vickers	14
Allied-Lyons	15	Hse of Fraser	26	Woolworth Hldg.	50
BOC Grp	27	ICI	42		
BSR	26	'Imps'	12	**Property**	
Babcock	17	ICL	7½	Brit Land	11
Barclays Bank	45	Ladbroke	23	Cap Counties	16
Beecham	32	Legal & Gen	45	Land Secs	25
Blue Circle	40	Lex Service	40	MEPC	25
Boots	16	Lloyds Bank	50	Peachey	17
Bowaters	25	'Lots'	3	Samuel Props	12
Brit Aerospace	20	Lucas Inds	18	Sterling Guar	4
BAT	15	'Mams'	14		
Brown (J.)	3	Marks & Spcr	20	**Oils**	
Burton Ord	22	Midland Bk	36	Brit Oil & Min	9
Cadburys	11	NEI	10	Brit Petroleum	35
Comm Union	16	Nat West Bk	60	Burmah Oil	17
Courtaulds	11	P & O Dfd	25	Charterhall	9
Debenhams	14	Plessey	20	Premier	6
Distillers	22	Racal Elect	18	Shell	55
Dunlop	5	RHM	8	Tricentrol	20
FNFC	6¾	Rank Org Ord	24	Ultramar	60
Gen Accident	42	Reed Intnl	40		
Gen Electric	16	Sears	8	**Mines**	
Glaxo	70	TI	22	Charter Cons	24
Grand Met	30	Tesco	16	Cons Gold	58
GUS 'A'	35	Thorn EMI	55	Lonrho	12
Guardian	50	Trust Houses	18	Rio T Zinc	60
GKN	20	Turner Newall	10		
Hanson Tst	17	Unilever	75		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 20

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pressure on the exchanges

BY COLIN MILLHAM

Sterling fell to successive record lows against the dollar last week, and also touched its lowest ever point on a trade weighted basis.

After showing weakness for several days the pound declined to an all time low of $1.3095 on Friday morning, and also lost 0.9 per cent to a record 77.4 at the opening trade-weighted index.

At this point the Bank of England intervened and quickly pushed the pound back up to around $1.32. During the morning the clearing banks raised their base rates to 10 per cent from 9¼ per cent, and this helped boost sterling to a high of $1.3280, before the underlying strength of the dollar put downward pressure on the pound once again.

It drifted down steadily to finish at a record closing low of $1.3170-1.3180, a fall of 3.80 cents on the week.

The pound also fell to DM 3.7350 from DM 3.7725; FFr 11.46 from FFr 11.5775; SwFr 3.1425 from SwFr 3.1625; and Y317.50 from Y322.

The closing trade-weighted index of 77.8 compared with 79.1 at the end of the previous week.

Talks aimed at resolving the coal strike appeared to be going better than feared, and by Friday it was also clear that the UK authorities were no longer standing in the way of higher interest rates, but as the week drew to a close there was more than a suspicion that base rates would require another increase before the overall pressure eased on the pound.

There were very few new factors supporting the dollar, but the consensus seemed to be that U.S. interest rates would go still higher, and that this week's Federal Open Market Committee meeting might well tighten monetary policy because of the sharp growth in U.S. gross national product during the first half of the year.

President Reagan said that he was distressed by the high level of interest rates, but did not intend to do anything about it. This only added to the dollar's strength, and with Federal funds very firm above 11 per cent the dollar advanced to a record FFr 8.7055 against the French franc; L1,741.50 against the Italian lira, and also to all time peaks against Scandinavian currencies. In terms of the D-mark the close of DM 2.8375 on Friday was not far below January's ten year high of DM 2.8425, while the rate of SwFr 2.3875 against the Swiss franc is about a seven-year peak, and Friday's close of Y241.20 against the yen is the highest since last September.

£ in New York

	July 6	Prev. close
Spot	1.3160-3170	$1.3130-3140
1 month	0.15-0.17 dis	0.26-0.29 dis
3 months	0.61-0.63 dis	0.85-0.89 dis
12 months	3.10-3.22 dis	3.45-3.55 dis

£ forward rates are quoted in U.S. cents discount. * New York closed

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.3175	1.3192	1.3240	1.3318	1.3488
D-Mark	3.7350	3.7198	3.6835	3.6547	3.5912
French Franc	11.4600	11.4724	11.5128	11.5954	11.7678
Swiss Franc	3.1425	3.1268	3.0990	3.0535	2.9687
Japanese Yen	317.50	316.32	314.15	310.93	304.58

BANK OF ENGLAND TREASURY BILL TENDER

	July 6	June 29		July 6	June 29
Bills on offer	£100m	£100m	Top Accepted rate of Discount	8.9473%	8.8643%
Total of applications	£370.27m	£828.85m	Average rate of discount	9.8082%	8.8638%
Total allocated	£100m	£100m	Average yield	10.05%	8.07%
Minimum accepted bid	£97.53	£97.79	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	6%	90%			

THE POUND SPOT AND FORWARD

July 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3095-1.3280	1.3170-1.3180	0.14-0.19c dis	−1.50	0.62-0.67dis	−1.96
Canada	1.7400-1.7540	1.7440-1.7450	0.22-0.34c dis	−1.93	0.87-1.10dis	−2.37
Nethlnd.	0.18-4.23½	4.21-4.22	1½-1c pm	2.38	4-3½ ore	2.56
Belgium	75.30-76.30	75.85-75.95	9-15c dis	−1.90	25-35 dis	−1.58
Denmark	13.59-13.70	13.88-13.69	0.33-1.55ore dis	−0.82	1.15-2.35dis	−0.51
Ireland	1.2125-1.2270	1.2210-1.2220	0.09-0.21p dis	−1.42	0.47-0.65dis	−1.83
W. Ger.	3.70½-3.75½	3.73-3.74	1½-1¼pf pm	4.02	3¾-3½ pm	3.88
Portugal	193.80-197.75	194.60-195.10	35-170c dis	−6.31	115-625 dis	−6.57
Spain	211.00-212.60	211.20-211.40	75-100c dis	−4.97	225-275 dis	−4.73
Italy	2,279-2,307½	2,291½-2,293½	9-12 lire dis	−5.50	31-34 dis	−5.67
Norway	10.68-10.75½	10.71¾-10.72¾	1.60-2.70ore dis	−2.41	5.85-6.90dis	−2.38
France	11.38¼-11.52½	11.45½-11.46½	1¾-2½c dis	−2.22	6½-7½ dis	−2.44
Sweden	10.86½-10.94½	10.89-10.90	2.05-3.15ore dis	−2.86	7.15-8.25dis	−2.83
Japan	315½-319¼	317-318	1.21-1.08y pm	4.29	3.40-3.22 pm	4.17
Austria	26.08-26.28	26.10-26.15	6⅝-5⅞gro pm	2.78	18½-15½ pm	2.62
Switz.	3.11½-3.15¼	3.13½-3.14½	1½-1¼c pm	5.25	4⅛-3⅞ pm	5.17

Belgian rate is for convertible francs. Financial franc 76.65-76.75. Six-month forward dollar 1.39-1.48c dis. 12-month 3.15-3.30c dis.

OTHER CURRENCIES

July 6	£	$		£ Note Rates
Argentina Peso	69.68-69.82	52.77-52.83	Austria	26.10-26.40
Australia Dollar	1.5603-1.5635	1.1859-1.1860	Belgium	76.40-77.20
Brazil Cruzeiro	2,501.0-2,517.9	1,745-1,754	Denmark	13.63-13.77
Finland Markka	7.8735-7.9060	5.9800-5.9860	France	11.44-11.50
Greek Drachma	146.00-146.40	111.10-111.30	Germany	3.71½-3.74½
Hong Kong Dollar	10.30-10.30½	7.827-7.97	Italy	2260-2290
Iran Rial	120.50*	88.50*	Japan	316-320
Kuwait Dinar(KD)	0.3943-0.3950	0.2994-0.29960	Netherlands	4.19½-4.23½
Luxembourg Fr	75.86-75.95	57.63-57.68	Norway	10.70-10.83
Malaysia Dollar	3.0600-3.0660	2.3235-2.3255	Portugal	180-200
New Zealand Dlr	2.1100-2.1160	1.6005-1.6030	Spain	211½-214½
Saudi Arab. Riyal	4.6380-4.6450	3.5110-3.5120	Sweden	10.80-11.00
Singapore Dollar	2.8210-2.8270	2.1450-2.1465	Switzerland	3.12½-3.15½
Sth African Rand	1.8300-1.8890	1.4005-1.4070	United States	1.31-1.33
U.A.E. Dirham	4.8535-4.8575	3.6720-3.6730	Yugoslavia	186-198

* Selling rates.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	45.3971	+1.11	+1.02	±1.5447
Danish Krone	8.14104	8.18720	+0.57	+0.48	±1.6425
German D-Mark	2.24184	2.23449	−0.33	−0.42	±1.0642
French Franc	6.87456	6.85797	−0.24	−0.33	±1.4052
Dutch Guilder	2.52595	2.52057	−0.21	−0.30	±1.4964
Irish Punt	0.72569	0.730379	+0.65	+0.56	±1.6699
Italian Lira	1403.49	1371.91	−2.25	−2.25	±4.1505

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

THE DOLLAR SPOT AND FORWARD

July 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3095-1.3280	1.3170-1.3180	0.14-0.19c dis	−1.50	0.62-0.67dis	−1.96
Ireland†	1.0770-1.0836	1.0775-1.0785	0.05c pm-0.05 dis	0.04	0.05pm-0.05dis	−0.04
Canada	1.3245-1.3275	1.3265-1.3270	0.03-0.05c dis	−0.36	0.11-0.14dis	−0.38
Nethlnd.	3.1895-3.2020	3.2000-3.2020	1.56-1.55c pm	5.88	4.72-4.63 pm	5.90
Belgium	57.40-57.85	57.63-57.68	3½-2c pm	0.57	12-10 pm	0.77
Denmark	10.36-10.46	10.39½-10.39⅞	0.85-0.35ore pm	0.69	4.00-3.50 pm	1.44
W. Ger.	2.8225-2.8400	2.8370-2.8380	1.54-1.49pf pm	6.38	4.54-4.49 pm	6.38
Portugal	148.00-149.00	148.00-149.00	par-100c dis	−4.04	par-300dis	−4.04
Spain	160.40-161.16	161.05-161.15	30-45c dis	−2.80	95-125 dis	−2.74
Italy	1,726½-1,742	1,741-1,742	4½-5½ lire dis	−3.45	13¼-14¼ dis	−3.28
Norway	8.12½-8.16	8.14½-8.14½	0.35-0.55ore dis	−0.65	0.60-1.10dis	−0.42
France	8.6660-8.7060	8.7030-8.7060	0.10c pm-par	0.07	0.50 pm-par	0.11
Sweden	8.26½-8.28	8.27½-8.27½	0.70-1.20ore dis	−1.36	1.55-2.05dis	−0.87
Japan	240.35-241.25	241.15-241.25	1.23-1.19y pm	6.02	3.70-3.65 pm	6.10
Austria	19.82-19.96	19.95-19.96	8.90-8.40gro pm	0.23	27-25 pm	5.24
Switz.	2.3725-2.3890	2.3870-2.3880	1.50-1.45c pm	7.44	4.57-4.53 pm	7.65

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 58.15-58.25.

CURRENCY MOVEMENTS

July 6	Bank of England Index	Morgan Guaranty Changes %
Sterling	77.8	−10.9
U.S. dollar	135.8	+23.8
Canadian dollar	87.8	−4.0
Austrian schilling	115.2	+4.4
Belgian franc	89.7	−10.8
Danish Kroner	77.0	−6.2
Deutsche mark	104.6	+7.0
Swiss franc	148.8	+8.7
Guilder	113.9	+4.4
French franc	66.8	−16.5
Lira	48.4	−12.4
Yen	154.8	+11.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.774769	0.597010
U.S. $	13	1.02854	0.790370
Canadian $	12.76	*	1.04648
Austria Sch	4½	20.2158	15.6866
Belgian Fr	11	58.7035	45.3971
Danish Kr	7	10.5885	8.18720
D'mark	4½	2.88358	2.23440
Guilder	5	3.26395	2.52057
French Fr	9½	8.88280	6.86787
Lira	15½	N/A	1371.81
Yen	5	246.228	190.170
Norwgn Kr	8	8.32348	6.43885
Spanish Pta	—	164.319	126.878
Swedish Kr	9½	8.46203	6.53583
Swiss Fr	4	2.43385	1.87850
Greek Dr'ch	20½	114.115	88.0698
Irish Punt	12¾	0.945046	0.730379

* C$/SDR rate for July 5: 1.35775

EXCHANGE CROSS RATES

July 6	Pound St'rling	U.S. Dollar	Deutsche m'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.318	3.736	317.5	11.46	3.143	4.215	2093.	1.745	75.90
U.S. Dollar	0.759	1.	2.838	241.2	8.706	2.388	3.201	1748.	1.327	57.66
Deutschemark	0.268	0.353	1.	85.01	3.068	0.841	1.128	613.8	0.467	30.32
Japanese Yen 1,000	3.150	4.150	11.76	1000.	36.09	9.898	13.28	7220.	0.494	239.1
French Franc 10	0.873	1.150	3.259	277.1	10.	8.742	3.678	2000	1.082	66.23
Swiss Franc	0.318	0.418	1.189	101.0	3.647	1.	1.341	729.5	0.556	24.16
Dutch Guilder	0.237	0.313	0.886	75.33	2.710	0.746	1.	545.9	0.414	18.01
Italian Lira 1,000	0.436	0.575	1.028	138.5	4.999	1.371	1.838	1000	0.701	33.11
Canadian Dollar	0.073	0.756	2.141	182.0	6.560	1.801	2.416	1314	1.	43.51
Belgian Franc 100	1.318	1.736	4.831	418.3	15.10	4.140	6.553	3020.	2.208	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

July 6	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term	10-10¼	11-11⅛	11⅛-11⅜	6-6¼	3⅜-3⅛	5-0⅛	11-11¼	14½-16½	11-11⅛	10¾-11¼	6⅝-6⅞	12⅞-13⅜
7 days' notice	10-10¼	11⅛-11⅜	11¼-11¾	6-0⅛	3¼-3½	5⅛-0⅜	11¼-11½	14¾-16¾	11⅛-11⅜	11½-11¾	6⅝-0	12⅛-18⅛
Month	10¼-10¼	11⅛-11⅜	18-18⅛	6-0⅛	4⅜-4½	0⅛-5⅞	11⅝-11⅞	15⅛-15⅝	11⅛-11⅜	11¼-11¾	6-6½	11½-12
Three months	10⅜-10⅞	18⅛-18⅜	12⅛-12⅝	0¼-6⅛	4½-4⅝	5¾-5⅞	18-12¼	15¼-15¾	11¼-11¾	11⅝-11⅞	6¼-6⅞	11½-18
Six months	10⅛-10⅝	12⅛-12⅜	13-13⅛	0½-0⅞	4⅛-4¼	0⅛-0⅞	12⅞-13⅛	10⅛-10⅝	11⅜-11⅞	11⅞-12⅛	0⅜-6⅞	11⅜-12¼
One year	11⅛-11⅜	13⅝-13¾	13⅜-13⅝	7-7⅛	4⅛-4⅜	6⅛-0⅜	13¾-14	17-17⅛	12⅝-13	12½-12⅜	0⅛-6⅞	12-12½

Asian $ (closing rates in Singapore): Short-term 11¼-11½ per cent; seven days' 11⅞-11⅝ per cent; one month 11¾-11⅞ per cent; three months 12⅞-12⅝ per cent; six months 12¹³⁄₁₆-12¹⁵⁄₁₆ per cent one year 13⅞-13⅝ per cent. Long-term Eurodollars: two years 14⅛-14¼ per cent; three years 14¼-14½ per cent; four years 14⅞-14⅝ per cent; five years 14½-14¾ per cent nominal closing rate. Short-term rates are call for U.S. banks and Japanese yen; two days' notice.

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Sept	87.21	87.28	87.17	87.37
Dec	86.50	86.56	86.44	86.66
March	86.11	86.14	86.05	86.25
June	85.80	85.83	85.77	85.94
Sept	85.55	—	—	85.63

Estimated volume 4,934 (2,709)
Previous day's open int 13,668 (13,636)

THREE-MONTH STERLING DEPOSIT
£250,000 points of 100%

	Close	High	Low	Prev
Sept	89.37	89.53	89.37	89.56
Dec	88.70	88.86	88.65	88.89
March†	88.26	88.45	88.26	88.54
June†	88.05	—	—	88.27
Sept†	87.96	—	—	88.15

Estimated volume 2,448 (1,216)
Previous day's open int 8,756 (8,647)
† £500,000 points of 100%

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
Sept	99-27	100-29	99-26	100-30
Dec	99-05	99-15	99-05	100-08
March	98-21	—	—	99-24
June	98-05	—	—	99-08
Sept	100-11	—	—	101-14

Estimated volume 3,741 (4,057)
Previous day's open int 5,174 (5,955)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) 32 to 44 (32nds).

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.3225	1.3321	1.3175	1.3315
Dec	1.3303	1.3365	1.3303	1.3400
March	1.3383	—	—	1.3486

Estimated volume 636 (1,637)
Previous day's open int 3,953 (4,891)

DEUTSCHE MARKS
DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3568	0.3577	0.3568	0.3573
Dec	0.3626	—	—	0.3631

Estimated volume 7 (66)
Previous day's open int 329 (336)

SWISS FRANCS
SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.4253	0.4262	0.4253	0.4272
Dec	0.4341	—	—	0.4360

Estimated volume 2 (nil)
Previous day's open int 2,295 (2,294)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
Sept	102.50	104.70	103.20	105.15
Dec	103.15	103.50	103.15	104.85
March	103.30	104.00	103.80	—

Estimated volume 525 (317)
Previous day's open int 990 (1,003)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4199	0.4202	0.4199	0.4205
Dec	0.4266	—	—	0.4272

Estimated volume 1 (50)
Previous day's open int 222 (217)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	60-03	60-17	59-31	60-27
Dec	59-14	—	—	60-07
March	59-00	—	—	59-25

Estimated volume 1,216 (1,124)
Previous day's open int 1,111 (1,188)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Close	High	Low	Prev
Sept	60-21	60-22	59-29	60-20
Dec	60-01	60-02	59-09	60-00
March	59-17	59-19	58-28	59-17
June	59-04	59-04	58-17	59-04
Sept	58-26	58-26	58-06	58-26
Dec	58-17	58-17	57-28	58-16
March	58-09	58-09	57-26	58-11
June	58-01	58-01	57-16	58-04

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev
Sept	89.17	89.19	89.01	89.12
Dec	88.41	88.43	88.25	88.38
Mar	87.92	87.95	87.77	87.91
June	87.57	87.59	87.42	87.56
Sept	87.34	87.35	87.18	87.32
Dec	87.15	87.15	87.01	87.14
March	87.02	87.04	86.88	86.98
June	86.89	86.89	86.74	86.84

CERT. DEPOSIT (IMM)
$1m points of 100%

	Close	High	Low	Prev
Sept	87.41	87.42	87.27	87.42
Dec	86.76	86.77	86.57	86.70
March	86.35	86.35	86.16	86.30
June	86.05	86.06	85.86	86.00

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev
Sept	86.99	86.99	86.85	86.99
Dec	86.30	86.32	86.12	86.28
March	85.90	85.91	85.72	85.86
June	85.61	85.62	85.44	85.56
Sept	—	—	—	—
June	85.22	85.22	85.03	85.17

STERLING (IMM) $ per £

	Close	High	Low	Prev
Sept	1.3215	1.3305	1.3190	1.3196
Dec	1.3290	1.3370	1.3260	1.3288
March	1.3380	1.3460	1.3350	1.3375

GNMA (CBT) 8% 100,000 32nds of 100%

	Close	High	Low	Prev
Sept	64-12	64-13	63-22	64-05
Dec	63-09	63-09	62-23	63-02
March	62-18	62-17	62-03	62-09
June	61-29	61-29	61-18	61-21
Sept	61-16	61-16	61-06	61-06
Dec	61-06	61-06	60-28	60-28
June	60-24	60-24	60-14	60-14

WEEKLY CHANGE IN WORLD INTEREST RATES

	July 6	change		July 6	change
LONDON			**NEW YORK**		
Base rates	10	+¾	Prime rates	13	Unch'd
7 day interbank	9⅞	+¾	Federal funds	11⅛	−⅛
3 mth interbank	10⅛	+⅝	3 Mth. Treasury Bills	10.01	+0.11
Treasury Bill Tender	9.8082	+0.9444	6 Mth. Treasury Bills	10.45	−0.03
Band 1 Bills	10	+⅞	3 Mth. C D	11.80	+0.06
Band 2 Bills	10	+1	**FRANKFURT**		
Band 3 Bills	10	+1⅛	Lombard	5.50	Unch'd
3 Mth. Treasury Bills	10	+1⅛	One Mth. Interbank	5.820	−0.085
1 Mth. Bank Bills	10	+1⅛	Three month	6.10	Unch'd
3 Mth. Bank Bills	10	+⅞	**PARIS**		
TOKYO			Intervention Rate	11¼	−¼
One month Bills	6.09375	−0.0625	One Mth. Interbank	11⅝	−⅛
Three month Bills	6.21875	−0.0625	Three month	11⅞	−⅛
BRUSSELS			**MILAN**		
One month	11¾	Unch'd	One month	16⅝	Unch'd
Three month	11¾	Unch'd	Three month	18⅛	Unch'd
AMSTERDAM			**DUBLIN**		
One month	6⅛	+¼	One month	10⅜	−⅛
Three month	6⅞	+⅛	Three month	12⅛	+⅛

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 10.

MONEY MARKETS

Awaiting further developments

London clearing banks raised their base lending rates to 10 per cent from 9¼ per cent on Friday in response to upward pressure on money market rates. Sterling fell to record lows against the dollar as U.S. interest rates held firm, with the Federal funds rate in New York generally well over 11 per cent.

Three-month sterling interbank was around 9¾ per cent until Thursday when the rate firmed to 9⅞ per cent, and then to 9⅞ per cent on Friday morning. At about the same time the pound was falling to a record low against the dollar and on a trade weighted basis. This was soon followed by announcements from the clearing banks that base rates had been increased.

Intervention by the Bank of England in the money market on Friday caused some confusion, with dealers generally expecting a rate on longer dated paper of 9¾ per cent. When the authorities declined to deal at that rate, and eventually made all buying rates on bills from band 1 to band 4 10 per cent the market was left wondering whether there might be early scope for another rise in base rates.

In June the Prime Minister and the Bank of England led the market to believe that there was certainly no need for a rise in UK interest rates, but both made the strong proviso that London rates could not remain immune from events in the U.S., and a further climb in New York rates.

Matters are now rather confused, with everyone waiting for further developments. It is fairly obvious that the authorities cannot hold out for a slow down in U.S. economic growth at some time in the second half of the year, and therefore less upward pressure on U.S. rates.

If money supply and public sector borrowing are under reasonable control, and will cause less concern in the second half than in the first, then the only valid reason for higher base rates must be the pound's weakness on the foreign exchanges. If this is the case dealers are suggesting that a rise of at least 1 per cent is required to give sterling any real support, and judging by Friday's events when the pound weakened despite higher base rates, this might well be true.

MONEY RATES

July 6	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.50-5.60	11⅛	3-4	6-6¼	0.09370	10¼-16⅝	10.60	—
One month	5.75-5.90	11⅛-11⅝	4⅜-4½	6-6¼	6.09370	10¼-10⅝	11⅛-11⅜	12-12⅛
Two months	5.90-6.05	11⅝-11⅞	—	—	—	—	—	12⅞-12⅞
Three months	6.05-6.15	11⅝-11¾	4⅞-4⅞	6¼-6⅜	0.21875	16⅝-17	11⅝-11⅞	18⅛-12⅝
Six months	6.35-6.50	11⅞-12	—	6⅛-6⅝	—	—	11⅞-12⅛	19¾-15
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	11⅞	—	6⅜	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

July 6 1984	Sterling Certificate of Deposit	Interbank	Local Authority Deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	6-12	8¾-0⅞	8¾-8¾	6-8	—	—	—	—	—
2 days notice	—	—	8-10	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	8⅞-10	9⅛-10	8⅛	8¾-9	—	—	—	—	—
One month	10⅛-10⅛	9¼-10⅛	10⅛	8⅞	8¼-9¾	10	8¾	10	9⅞	10⅝
Two months	10⅛-10⅛	8½-10⅜	10⅛	10⅛	8⅝-8¾	10	8¾	10⅛	9⅞	10⅛
Three months	10⅜-10⅛	9¾-10⅛	10¼	10⅝	9⅛-8¾	10	9¾	10	9⅞	10⅛
Six months	10⅞-10⅜	10¼-10⅛	10¾	—	—	—	—	10⅛	9⅞	10¾
Nine months	10¾-10⅞	10⅝-10⅞	—	—	—	—	—	—	—	—
One year	10⅞-10⅝	10⅞-11⅛	11	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	10⅝-10⅜	—	9⅞	11.75-11.85	9⅞-9⅛	0⅛-9¼
Two months	10¾-10½	—	9⅞	11.9-12.0	8⅛-10⅛	0⅛-9⅜
Three months	10¾-10⅜	—	9⅞	12.05-12.15	10-10¼	9⅛-9⅛
Six months	11-10¾	—	10⅛	12.65-12.75	10⅛-10⅛	8⅛-01
Nine months	11⅜-11	—	10⅝	12.95-13.05	—	—
One year	11⅜-11	—	10⅛	13.4-13.6	11⅛-11⅛	10⅛-10⅛
Two years	—	11⅝	—	—	—	—
Three years	—	11⅝	—	—	—	—
Four years	—	11⅞	—	—	—	—
Five years	—	12	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV: Average Rate of Interest period June 6 to July 3 1984 (inclusive): 9.488 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 9½ per cent from July 1 1984. London and Scottish Clearing Bank Rates for lending 10 per cent. London Deposit Rate for sums at seven days' notice 6½-6¾ per cent. Treasury Bills: Average tender rate of discount 9.8082 per cent. Certificates of Tax Deposit (Series 6). Deposit of £100,000 and over held under one month 9¾ per cent; one-three months 9½ per cent; three-six months 10 per cent; six-nine months 10½ per cent; nine-13 months 10¾ per cent. Under £100,000 9¾ per cent from July 5. Deposits held under Series 4-5 10¾ per cent. The rate for all deposits withdrawn for cash 7 per cent.

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING
(11.00 a.m. July 6)

Three months U.S. dollars	
bid 12 3/16	offer 12 5/16

Six months U.S. dollars	
bid 12 13/16	offer 12 15/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4 pm)

Prime rate	13
Broker loan rate	12½-12½
Fed funds	11⅛
Fed intervention	—

Treasury Bills

One month	8.25
Two month	8.60
Three month	8.98
Six month	10.46
One year	10.87

Treasury Bonds

Two year	98⅞
Three year	98⅞
Four year	100⅛
Five year	100⅞
Seven year	100⅝
10 year	86⅞
30 year	88

£50,000,000 Guaranteed Sterling/US Dollar Payable Floating Rate Notes due 1990

Lloyds Eurofinance N.V.

(Incorporated in the Netherlands with limited liability)

Guaranteed on a subordinated basis as to payment of principal and interest by

Lloyds Bank P.l.c.

(Incorporated in England with limited liability)

In accordance with the terms and conditions of the Notes and the provisions of the Agent Bank Agreement between Lloyds Eurofinance N.V., Lloyds Bank Plc and Citibank, N.A., dated July 2, 1980, notice is hereby given that the Rate of Interest has been fixed at 10 ¾% p.a. The relevant Interest Payment Date is January 7, 1985, (making an interest period of 185 days), and payment will be made against Coupon No. 9.

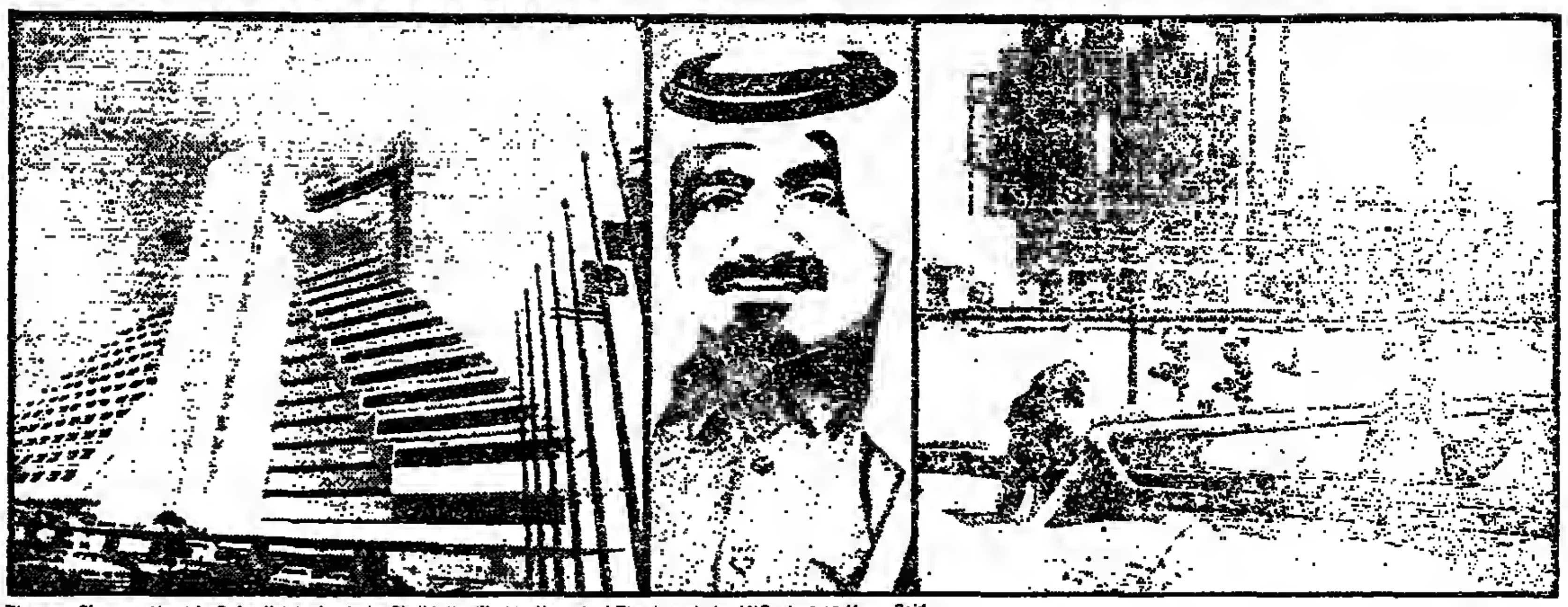
The value of Coupon No. 8 payable on July 6, 1984 is US$66.20.

July 9, 1984, London
By: Citibank, N.A. (CSSI Dept), Agent Bank CITIBANK

FINANCIAL TIMES SURVEY

QATAR

With oil prices firming and production rising, Qataris are hopeful that the country can soon emerge from its two-year recession. The escalation of the Gulf War is, however, placing question marks against future recovery.



The new Sheraton Hotel in Doha (left); the Amir, Sheikh Khalifa bin Hamad al Thani; and the LNG plant at Umm Said

By STEWART DALBY

FOR QATAR the past weeks and months have been particularly worrying. The escalation of the Iran-Iraq war into attacks on shipping in the Gulf has brought the conflict uncomfortably close. Of less immediate concern but, nevertheless, of importance to Qatar's future has been the debate on whether to develop its major asset the offshore north gas field.

The concern about Iran's intentions needs to be kept in perspective. Qataris are not beseiging the country's one airport in order to leave. They are not putting to sea in small boats, and they are not clearing the supermarkets in anticipation of an invasion by the Iranians.

The government knows, however, that, if left to its own devices, it is virtually defenceless. Qatar took possession of its first eight jet interceptor jets, Mirage FIs from France, only this year. It has three combatant small patrol vessels equipped with Exocet missiles, but as yet, neither a military airport nor a proper naval base.

Few Qataris really expect the Iranians to take hostile military action against the state, even though Qatar, along with Saudi Arabia, has been a large aid donor to Iraq. (Qatar once boasted it was the largest per capita aid donor in the Middle East, though with the decline in oil revenues this is probably no longer the case).

Possession of the 11,000 sq kilometres peninsula would, be of little strategic value. The population is only 250,000 people, more than half of whom live in the capital Doha and its environs. The rest of the country is largely arid desert which abuts on to Saudi Arabia, itself mostly desert. Qatar would not provide an ideal springboard to invade anywhere else; nor would it give a better vantage point than Iran already has for interfering with shipping in the Gulf.

Enthusiastic

Cautious in its foreign policy, Qatar usually follows the Saudi Arabian line. It has been an enthusiastic supporter of the six country Gulf Co-operation Council's drive for close liaison on defence, and is now placing considerable reliance on this.

Qatar feels that Saudi Arabia's air superiority over Iran (Saudi Arabia has 170 combat aircraft while it is doubtful whether Iran, at the moment can field more than 50 combat offensive aircraft) combined with Oman's and the United Arab Emirates' armed strength will be sufficient deterrent against Iranian adventurism in the peninsular.

What *does* really concern Qataris is that further attacks on shipping and a closure of the Straits of Hormuz even for a short period, would lock the country firmly into the recession which it has endured for the past two years, and from which it has just been showing signs of emerging, with oil prices firming and production rising to a reputed 400,000 barrels a day.

Qatar is particularly affected by any disruption to shipping. It does not have an oil pipeline, and is entirely dependent on the Straits, through which all its oil exports pass.

Moreover, despite diversification of the economy with the building of a fertiliser plant, a steel works and a petrochemical complex, it still earns more than 90 per cent of revenues from oil.

It has been affected, over the past year by the decline in demand for oil worldwide. In spite of being one of the smallest members of the Organisation of Petroleum Exporting Countries (Opec), accounting for less than 2 per cent of production, Qatar has, nevertheless felt obliged to stick to the quota arrangements of May 1981 which allocated it 300,000 b/d.

In 1981, when demand was still strong, Qatar made $5.5bn from an average production of 506,000 b/d. Last year Qatar could not even sell 300,000 b/d. Average production was 280,000 b/d and it is thought some $80m of barter deals were concluded with contractors and suppliers. It is doubtful, as a result, whether Qatar earned $3bn from oil. Even this would not have been enough to cover current and capital expenditures.

As Mr Ali Jaidah, the managing director of the Qatar General Petroleum Corporation says, "Qatar cannot live with just 300,000 barrels of oil a day."

Exodus

One IMF estimate puts currency and other reserves at $5bn. Qatar itself does not reveal reserves figures, but it is thought three years ago reserves were over $10bn.

A budget deficit would indeed have resulted from dwindling revenues both last year and this had not the government, which accounts for over 50 per cent of GDP with its expenditures cut back on a number of projects. Sheikh Kalifa bin Hamad al Thani, the Amir, is said to sign personally any cheque for more than $50,000.

Last year if the complaints of western contractors are to be believed the Amir virtually stopped signing altogether and work came grinding to a halt across a wide range of activities.

One consequence has been an exodus from among the migrant workforce attracted to Qatar by the building boom, with some reports putting the numbers that have left as high as 60,000. The large number of migrants has led the 70,000-strong native Qatari population to feel swamped on occasions.

It is a matter of quiet relief that some of the departees have been Shia moslems from Iran and elsewhere. Qatar, as a result, no longer has a significant Shia population, able if it chose, to foment internal unrest.

The slowdown in construction activity may well prove to be limited in its effects. Most of Qatar's infrastructure, including roads, schools and hospitals is in place. The most pressing project still hanging fire is the $575m Wusail power and desalination plant, and it seems likely that this project will be signed some time later this year.

Providing the sea lanes stay open, then Qatar can look forward to the immediate future in a sanguine way. The economy does appear to be picking up sufficiently to put the country back on a modest growth tack. Existing reserves of 4.7bn barrels give Qatar 25 years of oil at the 400,000 b/d level.

Unlike some other Gulf states Qatar does not have to worry about what happens when the oil runs out. Reserves of gas in the North field, offshore are 120,000bn, and could be as high as 300,000bn. This would give Qatar gas for nearly 100 years, most of it for export.

All systems go on one of the world's largest fields

Gas

STEWART DALBY

AFTER MUCH agonising Qatar has decided to go ahead with the development of its huge North Field gas development.

That it would exploit the reserves in some way was never really in doubt. The country's domestic utilities and its fledgling industries — its fertiliser plant, steel works and petrochemical complex—all run off gas.

At the moment about half of demand, some 600m cu ft a day, is met by associated gas from the onshore and offshore oil fields. This is topped up with non-associated gas from the Khuff field near the Dukkan oil reservoir on the southwest side of the peninsula.

The Khuff field has a capacity of 600m cu ft per day. But the field is due to peak in 1988 and the authorities do not want to exhaust it prematurely.

There is probably an excessive demand on the Khuff field already, since with oil production of 300,000 b/d the oil fields are not producing as much associated gas as needed.

If new industries are to be developed and the population grows as it was doing before the recession of the past two or three years, Qatar needs to exploit its large natural gas asset.

The general expectation was that Qatar would develop the field piecemeal to meet its own comparatively modest needs and some of the needs of its immediate neighbours.

It came as something of a surprise therefore when Qatar announced that it was planning to go ahead with a $6bn project which would not only produce gas for Qatar but also LNG and other products for export.

The investment involved is nearly as much as Qatar has pumped into its industries and infrastructure in the past 10 years. But the main surprise is that the project is being embarked upon when there is a glut not only of crude oil but also gas and gas products on the world market. Add in the fact that Qatar does not, at the time of writing, have a firm buyer for the LNG signed up and the plan seems a bold and, to some minds, even a rash scheme.

The North Field was discovered in 1972 by Royal Dutch/Shell group. In 1980 Wintershall, the Western German group which is an associate of BASF, announced it had found a southern extension.

Known reserves of the field are 150,000bn cu ft. Experts are moving towards the view that probable reserves are of the order of 300,000bn cu ft. This would make the field one of the biggest if not the biggest in the world. It covers an area of 1,000 sq kilometres and is 40 kilometres north to north-east of the peninsula.

It was originally thought that Qatar would develop the field modestly, making use of Wintershall's concession which amounts to around one-fifth of North Field. This area, known as K2, is largely around the southern edges of the field. It is in relatively shallow water and easily accessible.

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Systems go on gas

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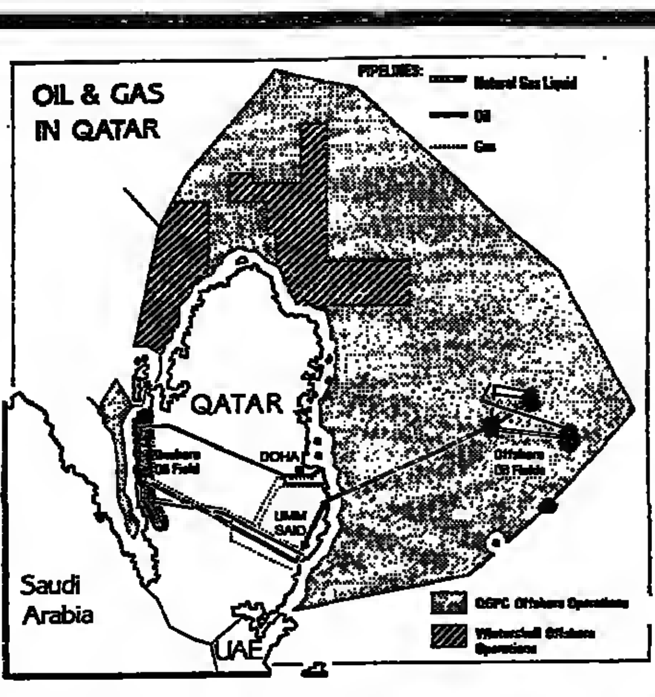


Instead, Qatar appears to have gone straight to the beart of the field in that it has initialled an agreement with BP and Compagnie Française des Petroles (CFP Total) to extract 6m tonnes of gas over a seven-year period.

This amounts to 2,000m cu ft of gas a day. Of this 760m would be used for domestic purposes and for Qatar industries, which beside the steel works, fertiliser plant and petrochemical plant also include two NGL plans which provide the feedstock for the petrochemical plant and a cement concern.

The remainder would be for processing into LNG. Additionally, there would be 4,500 tonnes day of natural gas liquids, 64,000 b/d of naphtha and 400 tonnes a day of sulphur.

The seven-year project would be in two phases. First there would be a project to extract the gas and pump it to the mainland. This would cost around $1bn to $2bn. The project would be entirely Qatar-owned although there would be service contracts. The Qataris say they would raise the money through loans abroad and by possibly using some of their reserves.

The second phase, costing around $2bn to $4bn, would involve the LNG plant. Here the Qataris envisage a concern of which they would own 70 per cent. BP and CFP would take 7½ per cent each. There would remain two shareholdings, one of which the Qataris presumably hope would be taken up by a Japanese concern, thus facilitating sales of LNG.

The whole project seems bold because the times are hardly propitious. The Iran-Iraq war has taken a turn for the worse with shipping being attacked by both belligerents. This in itself could persuade customers in the Far East to look nearer home for their LNG and they are at the moment in a buyer's market. At present Japanese ships are refusing to go to Kuwait and Saudi installations in the upper Gulf.

Qatar may well have missed the boat as far as Europe is concerned since many countries seem committed to Soviet gas. However, the involvement of BP may mean that Britain at least does not want to be too dependent on Soviet gas.

The North Field has reserves for 100 years, so it will still be producing when Britain's own reserves are due to run out. There may be some advantage in BP getting in on the ground floor.

Qatar at first wanted to own 80 per cent of the company and have BP and CFP with 10 per cent each. The current plan to have two more shareholdings can only mean that Qatar wants to sell the LNG to Japan and/or Korea.

The ruler, Shaikh Khalifa bin Hamad al Thani, went on a tour of Japan and Korea last month, but he seems to have draw a blank as far as selling LNG is concerned. Nevertheless Mr Ali Jaidah, the managing director of the Qatar General Petroleum Corporation, insists that Qatar intends to go ahead with the project in the hope that a buyer will come along.

Leaving open two shareholdinge could solve the presumably sticky situation with Wintershall which does have a concession. It also, it seems, has a complex agreement that it shall pay for the cost of exploitation and then benefit from a 20/80 production agreement, with the Government getting the 80 per cent.

It is known that Wintershall has been looking to amend its agreement. Both the QGPC and the company are reluctant to say anything at present, although QGPC does admit it is in discussion with Wintershall about LNG. Were Wintershall to take up a shareholding, West Germany, another customer for Soviet gas, would come into the reckoning.

To start a project of this kind without a firm buyer is thought to be a bold step in industry circles. For Qatar it is certainly an important step, as important as the development of oil back in 1949.

Heavy reliance on state spending

Economy

THE INHERENT weakness of Qatar's economy, which is motivated almost exclusively by government spending, is that the Government has no control over its major source of revenue.

Oil represents 85-90 per cent of budget income and until last year (when the oil contribution dropped to under 46 per cent) more than half the gross domestic product (GDP). Despite the move towards industrial diversification over the last decade, manufacturing industry — including flour milling, gas liquefaction, oil refining and the production of fertilisers, petrochemicals and steel—amounts to little more than 5 per cent of GDP.

Particularly since 1982, budgeting has therefore had to be based on expectations of how the international oil market will perform in the coming year, and medium-term planning has become a guessing game. What is loosely called a five-year development plan is simply a definition of priorities for capital spending, if and when the money is available.

In practice, the allocations are hardly ever fully spent, because of the time-lag in getting a project to the implementation stage once it has appeared in the budget. The psychological effect of a temporary reduction in oil liftings can also delay disbursements, and there are fears of another retrenchment in the face of the Gulf shipping crisis.

At such times the Amir has a habit of "losing his cheque book" if too many payments fall due. The cooperation of projects last summer certainly caused severe cash-flow problems, although Mr Hisham Khaddoumi, the adviser to the Amir's Technical Office, hotly denies the story that cash was diverted from other projects when local contractors landscaping the Corniche (in time for the Gulf Co-operation Council summit in Doha last November) threatened to stop work unless they were paid. Foreign contractors were reported to have settled for oil barter deals of at least $80m.

Commitment

Payments have been flowing regularly since the last quarter of 1983, even during the Amir's absence in the Far East. But in the knowledge that last year's budgeted deficit of QR 5.36bn ($1.465bn) turned into a surplus, because revenue was higher than estimated and less money was spent, contractors and businessmen are adopting a "wait and see" attitude towards this year's forecast 37 per cent increase in capital spending. On paper at least, this will boost the total outlay for the current financial year by 18 per cent to QR 16.9bn ($4.6bn).

There is, nevertheless, much more optimism in the air than there was last year, provided only that the threat to shipping recedes. Ramadan and the hot couple of months to follow will be quiet, but the economy is expected to expand in the last quarter of the year. According to Mr Khaddoumi, there is now a definite government commitment to provide more liquidity and to activate the market.

Already there is a steady flow of smaller contracts for schools, housing and roads, and office blocks such as the QR 30m—($8m) headquarters for Qatar National Cement Company and another, at half the cost, for Qatar General Insurance and Reinsurance Company.

The imposing new Amiri Palace will be completed over the next 18 months, and this year's budget releases the last QR 100m of the QR 900m ($250m) allocated to Phase 1 of the University project, covering the men's and women's colleges, academic areas, libraries and audio-visual centre. Another QR 300m will be needed next year for the sports and leisure facilities in Phase II, but the third and final phase (residential accommodation) is somewhere in the future.

Other ongoing work includes completion of the post office, the women's hospital, and the Ministry of Finance and Petroleum HQ, while a start will be made this year on the southern extension to the Corniche, the Ministry of Education building and an underpass at the Mannai roundabout (which was already tendered when it was cut from the budget in January 1983).

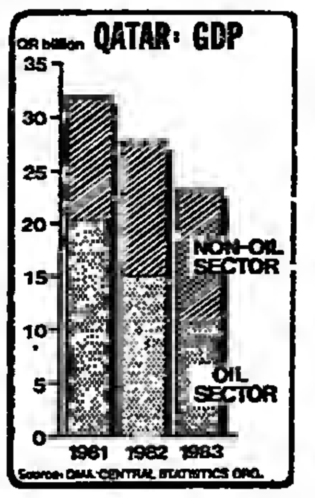
The planned $575m Al-Wusail power and water project is still frozen, but there are hopes of a go-ahead on a QR 2bn airbase in the central desert, which would keep a lot of local contractors busy pouring concrete for a very long time. Meanwhile private sector landowners are taking advantage of a 30 per cent drop in construction costs over the past 18 months, as recession-hit contractors tried to stay alive, and are putting up Arab-style family houses at bargain prices.

CAPITAL EXPENDITURE ALLOCATIONS 1984-85

(in QRm)

Housing and public buildings	1,004.9
Industry and agriculture	824.8
Electricity and water	736.8
Education	549.0
Transport and communications	521.4
Social services	287.2
Health	134.6
Other (including defence projects)	1,186.6
(1983-84: 3,850) Total	5,255.3

Source: Ministry of Information.



Downward trend

A few contractors have quietly stopped trading while many more have cut back at least 50 per cent of their labour. The overall turn-out of expatriates is hard to quantify; some estimates say 50,000-60,000 Asians have gone home, although some Filipinos and Thais have come in. The Government is releasing 3,000 foreign staff, most of whom have their families in Qatar, but the exodus there will not be noticeable until the schools close down in mid-June.

The scale of the recession is illustrated by the balance of payments estimates, which show a rapid deterioration in the trade balance and current account over the past two years, resulting in a drain on the foreign reserves of nearly QR 5bn ($1.4bn). According to IMF figuree, reserves at the end of 1983 amounted to no more than $5bn, or 26 months of imports at the 1983 level.

Although the value of imports rose by over 25 per cent in 1982, due to a big increase in purchases of machinery and transport equipment, there was an almost equivalent reduction in 1983, and the downward trend has continued into the first quarter of this year. Comparative statistics for the first three months of 1983 and 1984 published by Qatar Navigation show that the number of vessels calling at Qatari ports fell from 187 to 128, while the volume of cargo discharged fell from 568,600 mt to 333,506 mt (−41 per cent).

The reduction in car imports was particularly striking, from 7,062 to 2,480. Japanese cars were a major factor in an 80 per cent decrease in tonnage from the Far East, while tonnage from Europe was down 50 per cent. Increases were recorded from the Americas (mainly iron ore pellets), Australia (barley) and Africa (wheat bran), but a list of other commodity imports shows construction materials down 61 per cent, manufactured goods down 57 per cent and plant and machinery down 81 per cent,

Japan was still well out in front last year as the leading exporter (QR 1,156.5m), but Britain (QR 885m) outperformed tho average with a sales drop-off of only 12 per cent. Third was the U.S. (QR 482m), followed by West Germany (QR 435m), Italy (QR 266m) and France (QR 261m).

The decrease in trade and in the size of the workforce has had repercussions both on the housing market and on the hotels. Rents have fallen by at least 25 per cent, and the Government has cut the cost of its hirings by up to 40 per cent. Last summer one landlord accepted a monthly rental of QR 8,000 for a house which he had previously let at QR 13,000, while in two identical villas one tenant is paying QR 14,000 and the other QR 5,000.

None of the first-rank hotels is more than half full.

When housing was expensive and in short supply, whole families were accommodated in hotels, but there are now fewer long-stay residents than in 1982 and those who remain are single executives.

Mary Frings

BALANCE OF PAYMENTS ESTIMATES

(In QRm (QR 3.64=$1)

	1981	1982	1983
1 TRADE BALANCE	15,748	9,305	6,703
Exports (fob)	21,272	16,405	12,002
Oil exports	20,006	15,339	10,893
—Crude oil	19,283	14,866	10,238
—Refined products	193	—	—
—Liquefied gas	530	473	655
Non-oil exports	1,266	1,066	1,109
Imports (cif)	−5,524	−7,100	−5,299
2 SERVICES AND PRIVATE TRANSFERS	−7,069	−5,214	−5,212
3 CURRENT ACCOUNT	8,679	4,091	1,491
4 CAPITAL TRANSFERS (private and official)	−5,392	−6,866	−3,660
5 BALANCE OF PAYMENTS surplus (deficit) =increase (decrease) in reserves	3,287	(2,775)	2,169)

Source: Qatar Monetary Agency

BUDGET ESTIMATES

	1983-84	1984-85
Projected revenues	QR8,911m ($2,400m)	QR11,970.9m ($3,279.6m)
Projected expenditure	QR14,261m ($3,900m)	QR16,951.2m ($4,644.1m)
Budgeted deficit	QR5,350m ($1,465m)	QR4,980m ($1,364.4m)

Contribution to GNP falls

Oil

GAS will almost certainly take over as Qatar's main earner one day, but for the moment it is oil revenues which keep Qatar afloat.

Oil still accounts for 93 per cent of foreign exchange earnings despite attempts at diversification into a fertiliser plant, a steel works and a petrochemical complex. Oil also accounts for nearly 90 per cent of the Government's revenues and spending. But the size of its contribution has slumped dramatically as the amount of oil Qatar has produced and been able to sell has fallen since 1980.

In that year when production was running at around 506,000 b/d, Qatar earned over $5bn. In April, 1982, Qatar's Opec quota was set at 300,000 b/d—the lowest output for more than 10 years and barely more than half the recorded maximum of 570,000 b/d in 1973.

In the event, with the glut of oil on the market, Qatar was not able to reach the Opec quota level for the second half of 1982 and most of 1983. Average production for 1983 was 280,000 b/d. At times, production slowed to 260,000 b/d.

At this level it is doubtful whether government revenues would have amounted to $3bn. Many purchasers were taking only 70 to 90 per cent of agreed contracts.

Mr Ali Jaidah, the managing director of the Qatar General Petroleum Corporation (QGPC), has admitted that for a time last year Qatar was going in for barter deals. "There was not the money available and many companies preferred to take payment in oil or other products," he said.

Although the Government has slapped a freeze on spending—even going to the lengths, it is said, of not issuing cheques for contracts already in train, Qatar almost certainly saw a budget deficit in the year 1983-84. New, important contracts like the $575m Wusail power station have not yet been finalised.

There was almost certainly a balance-of-payments deficit and probably a drawing down on reserves. By how much is not known as the Government does not reveal reserves figures. Estimates range from $5bn to $10bn.

Just what form these reserves are held in is also not known. There is a suspicion that some may be held in the form of not easily realisable property.

Qatar is one of Opec's smallest members accounting for just over 2 per cent of its output. Because of its close ties with Saudi Arabia, the Government adhere closely to the Opec marker price of $29 a barrel. There is probably around a 20 cents differential between its lighter onshore crude and its offshore oil. However, in January 1982, Dukkan onshore crude was fetching $35.30.

Prices 'firming'

Mr Ali Jaidah now feels that the situation is looking up. "I know of no barter deals that are going on at the moment," he says. He says that prices are firming, although the situation in the Gulf has not yet "substantially altered the situation." The fact that some western economies are coming out of recession is helping the position.

Mr Jaidah says that Qatar needs to sell more oil: "Qatar cannot live with 300,000 barrels a day." Unconfirmed speculation is that production is now running at around 400,000 b/d. Mr Jaidah expects discussions with Opec partners on the possibilities of a larger quota.

The slump in oil production is important not just for government revenues but also because power utilities and industries are run partly on associated gas from the oil fields. A fall in the amount of associated gas available means that excessive drawings have to be made from the non-associated gas field at Khuff.

Last year the breakdown in gas production was 155m cubic feet onshore associated gas, 84m cubic feet associated offshore gas and 313m non-associated gas. The Khuff field has a capacity of 600m cubic feet a year, but it is due to peak in 1988 and the authorities do not want to run it down too fast.

Until gas comes on stream from the huge north Field, the dependence will be on associated gas. It is said that if oil production falls below 400,000 b/d, there is not enough associated gas for the two power stations and the industries. At times last year the two NGL plants were said to have been working at 60 per eent capacity.

Award

Qatar's oil industry started in 1935 with the award of a concession covering the entire country to the Anglo Persian Oil Company. Producing rights were eventually transferred to Petroleum Development Qatar, an affiliate of the Iraq Petroleum Company, which in turn formed the Qatar Petroleum Company to take over responsibility for onshore operations until it was taken over by the state in 1976. Exports of oil began in 1949.

In 1952 the offshore contract was awarded to the Shell Company of the Netherlands. Rights were subsequently transferred to the Shell Company of Qatar (SCQ) which ran offshore operations until 1977.

The Government moved towards control of oil production. Having taken over on-shore production in 1976 and offshore in 1977, Qatar offered the former concessionaires five-year service contracts, under which they receive 23 cents for each barrel and a variable allowance to buy part of their output.

These contracts have expired (the Dukkan Service Company replaced the QSC), but Qatar seems in no hurry to conclude new agreements. "We are happy with the service companies," Mr Jaidah says. "We will not be replacing them. They will continue as before."

The reasons why there are two separate companies are historic as the operations developed at different times. There is constant discussion about amalgamating the operations, but so far this has not happened.

Dukkan is one large field with four hydrocarbon reservoirs. The offshore fields are divided into three clusters to the east of the peninsula.

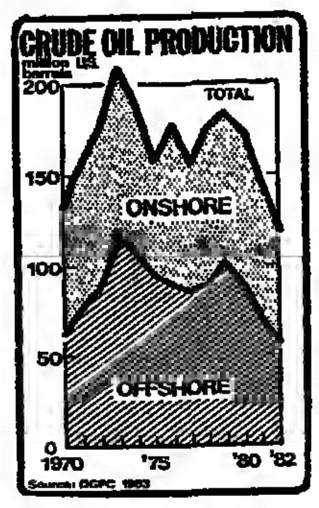
The first to be discovered was the Id Shargi field in May 1960. This is thought to have recoverable reserves of 357m barrels. Maydan Mahzam was the second discovery in 1965. This has 843m recoverable reserves. The latest and most prolific field is Bul Hanine with reserves of 1.1bn. All told recoverable reserves offshore amount to 2.2bn out of a total of 4.7bn including the on shore reserves.

The remaining known resources come from a share of the Bunduq field which straddles the median line with Abu Dhabi and is jointly owned with Abu Dhabi. It has been closed since 1979 while the Japanese operator implements a secondary recovery scheme which should double recoverable reserves to 125m barrels.

Although intensive exploration of existing fields has revealed some additional reserves, no new major finds are in prospect, it seems.

The known reserves of 4.7bn barrels is probably sufficient for 25 years of production at a level of 400,000 b/d. This life would be extended by another 10 years if production averaged out at 300,000 b/d.

Exports of crude, in any case, will be somewhat affected by the completion within the next few months of the 50,000 b/d refinery being built by Technip of France. Until now Qatar has had a 12,000 b/d refinery. It has had to import 100,000 tonnes of petrol and nearly 55,000 tonnes of diesel. The new refinery should meet all the country's needs and leave something over for export.



Stewart Dalby

New moves to take petrochemicals into profit

Industry

A RETURN to peak oil production of 5m b/d—or the development of non-associated gas resources from the North field—would give Qatar Petrochemical Company (Qapco) the extra gas feedstock it needs to operate at economic levels.

But after three years of losses, Qapco is not prepared to wait. CDF Chimie, the manager and minority partner, will start work next month on a $55m ethane recovery plant for completion by the end of next year. A *$100m syndicated loan* arranged by Lloyds Bank International will help tide the company over until then, by providing *cashflow and refinancing* maturing loans, as well as covering some of the construction costs. Another $16.5m will come from the *shareholders* and the rest from a $33m export credit facility backed by Coface, the French export credit agency, and arranged by the Paribas and IndoSuez banks. Qatar General Petroleum Company (QGPC) holds 84 per cent of the shares.

Qapco's ethylene plant was designed to use the ethane-rich *(C-2) fraction of associated* gas from the offshore oilfields, but the lighter methane-rich fraction (C-1) also contains 11 to 12 per cent ethane which is of no specific value to the fertiliser plant or to fuel-gas consumers. By processing C-1, the new unit will contribute up to 500 tonnes a day of ethylene feedstock, to the full daily requirement of 1,100 tonnes.

In 1983, the third year of production, ethylene output was 164,000 tonnes (58 per cent of capacity). Nearly all of it was consumed by the low density polyethylene (LDPE) unit, so until there is a surplus of base-product the question of diversifying into high density polyethylene (HDPE) is academic.

LDPE is marketed by SDF Chimie under a 10-year agreement. Last year 55 per cent was sold in the Middle East region, mainly to *Saudi Arabia* but also to Jordan, the United Arab Emirates, Kuwait and Pakistan. Sales to Iran have dropped. The rest went to the Far East and South-East Asia, while local demand, for making plastic bags, is less than 1 per cent.

Volume is clearly the key to profitability, since despite low world prices Qapco was briefly in the black in November and December when feedstock availability climbed to 85 per cent. Losses for the year as a whole are expected to be smaller than the QR 150m (41m) reported in 1982.

The Qatar Fertiliser Company plant has not suffered from gas shortages over the past two years because it is flexible. Although basically designed to use C-1 from the onshore Dukhan field, the ammonie units were able to run successfully on up to 50 per cent non-associated Khuff gas after the 1981 drop in oil production.

With the improvement of deliveries of associated gas from offshore, and the commissioning last year of a QR 15m desulphuriser, the *plant* now *has* a third source of supply.

Record output

Qafco has Norsk Hydro of Norway as manager end 25 per cent shareholder, with QGPC owning the remaining 75 per cent. In 10 years it exported over 3m tonnes of anhydrous ammonia and 4m tonnes of uree to 40 countries.

Production of ammonia last year was a record 586,000 tonnes—99 per cent of design capacity, rising to 108 per cent in January to April this year. The urea plants ran at 104 per cent capacity (685,000 tonnes), rising to 110 per cent this year. The main customer for emmonia was India (58 per cent); for *urea it was China (33 per cent)*, followed by the Philippines and India.

Although operating profits have been declining *steadily* along with world prices, from QR 237m in 1980 to QR 121m in 1983, Qafco distributed a QR 20m dividend to its shareholders last year out of a net return of QR 60m.

The *other* major industrial joint-venture et Um Said is Qatar Steel Company (Qasco), in which the foreign partners are Kobe Steel of Japan (20 per cent), which also manages the plant, and Tokyo Boeki (10 per cent), the sole marketing agent. It went into *production* in 1978 as the first integrated steel mill in the Gulf, and in April this year output of plain and deformed reinforcing bars exceeded 2.5m tonnes.

Qasco has always obtained its full requirement of fuel gas, and rolling mill production last year ran at 135 per cent of rated capacity (477,000 tonnes). This compares with 435,000 tonnes in 1982 and 472,000 tonnes in 1981.

Prices are lower than at any time in Qasco's history, although the management estimates that it would only take a 7 to 8 per cent increase to give the company a reasoneble profit. Qasco's selling price is 10 to 15 per cent above the international market, justified on the basis of savings on shipping costs and quick delivery of steel which has not deteriorated *through* long storage.

Local demand in 1983 was 13 per cent of the total. Within its *product range*, Qasco supplies all steel bars for government construction projects and is protected against foreign *dumping* by *a 20 per cent* tariff barrier. Major export customers are Saudi Arabia (44 per cent), Iraq (now mainly through suppliers in Kuwait) and the United Arab Emiretes.

The wholly Qatari-owned projects have also had their ups and downs. The first NGL plant was based on Dukhan gas and was commissioned in 1975, but a fire in 1977 destroyed most of the fractionation end storage facilities. The reconstructed plant went on stream in 1980, almost et the same time as NGL 11, which was built to process gas recovered from the offshore oilfields.

Last year problems with the offshore pipelines were largely overcome and gas throughput was substantielly higher than *in* 1982 *despite* an *overall* 10 per cent drop in oil production. Output in propane (C-3) was 305,474 tonnes (compared with 236,079 tonnes), butane (C-4) 215,932 tonnes (163,932) and condensate (C-5+) 183,626 tonnes (137,750).

QGPC was abfe to meet 95 per cent of its long-term sales contracts for 400,000 tonnes of LPG to Japan and 150,000 tonnes to the state-owned Butano company of Spain, and this year it expects to have some surplus for spot sales. Condensale goes mainly to Japan but 30,000 tonnes was sold to the U.S. in 1983

Although the value of export sales rose to $180m in 1983, against $130m in 1982, the NGL project has yet to pay for itself.

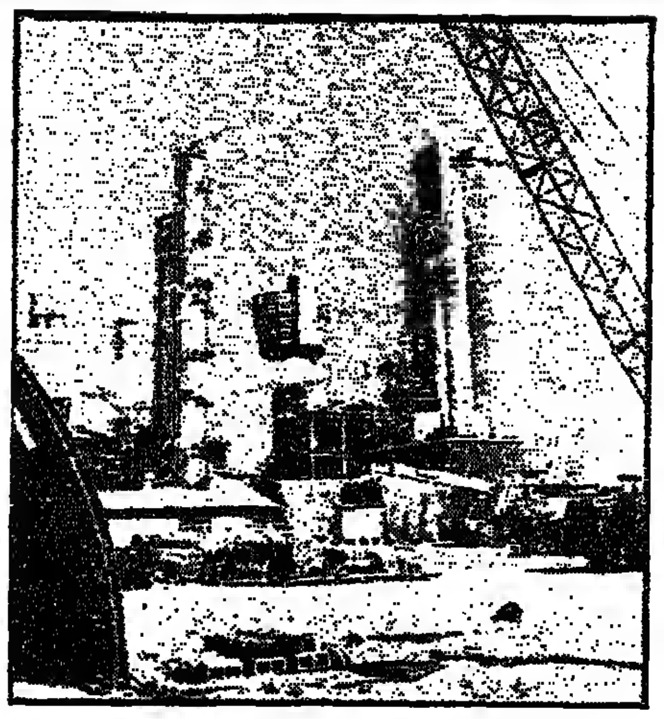
Qatar National Cement Company, owned 43 per cent by the Government and 57 per cent by private investors, had to cut its prices by 22 per cent last year to avoid being undercut by exporters from the United Arab Emirates and the Far East. As a result profits dropped from $12m to $3.8m, although shareholders still received a 20 per cent *cash dividend* and a one-for-one bonus share issue. Accumulated profits retained by QNNC since its establishment in 1969 amount to $47m.

The company quarries its own limestone, clay and gypsum from e large concession area at Um Barb on the south-west coast and nothing is imported. But due to technical problems *and to modifications* to the plant between 1981 and the first quarter of 1983, the three kilns have never operated to capacity, *although* they are expected to come close to it this year.

A service company which has diversified into manufacturing is Qatar National Navigation and Transport Company, which wes the first public shareholding company to be set up in 1958. Its principal activities are shipping egency and cargo handling (for which it has a concession extending to 1998) and ship repairing, started in 1980.

To keep the fabrication yard busy at slack periods, Navigation manufactures overhead cranes under licence from Munck of Norway, and has built about 50, mainly for export to the Gulf region. The *economic recession* has *dried* up the demand this year, but Navigetion has just put in some new quotations and is hoping for some orders.

Mary Frings



The Qatar Fertiliser Company plant at Umm Said

INDUSTRIAL PRODUCTION INDEX

(1981=100)	1982	1983
1 CRUDE OIL PRODUCTION	80.98	72.59
2 MANUFACTURING INDUSTRIES	106.17	133.69
Food grain milling	115.59	115.33
Fertilisers	112.33	124.28
Petrochemicals	105.76	129.26
Oil refining	95.39	107.73
NGL	103.68	135.56
Cement and lime	89.50	65.53
Basic iron and steel	106.59	105.61
3 ELECTRICITY AND WATER	108.44	115.35
4 TOTAL INDEX (1+2+3)	84.21	80.13

Source: Qatar Monetary Agency.

Low regard for manual skills checks development

MORE THAN 800 Qataris graduate from Qatar University and foreign seats of learning each year and must be found jobs either in national industries or in the civil service. The graduates are largely products of social sciences or arts courses, bave absolutely no work experience or administrative skills, but demand for status reasons to be given senior posts.

When the first wave of graduates emerged from Qatar University in 1981, they were effectively the only graduates among the native population and were thus drafted into high positions to order to begin the process of Qatarisation—putting Qataris in charge of national decision making. The process is admirable in concept but a little more difficult when it comes to implementation, for now those first graduates, still in their late twenties or early thirties, are heads of departments in government ministries and have effectively reached the top of their "professions." Newly emerging graduates have no prospects of displacing them and must each year be content with a position lower down the line.

It is this numbers game which is more responsible for the recent moves to terminate the employment of large numbers of foreign civil servants, rather than the economic situation. Before the "tafnish"—as it is known in Arab circles—was begun many young Qataris were sitting at home drawing civil service salaries, but effectively unemployed because they had no office and no desk. Now desks have been made vacant in the short term but the long term problem has not been solved. Even worse the advent of large numbers of inexperienced administrators often in key posts has led to a creeping paralysis in several government departments simply because decisions are not taken at appropriate times and procedures are not followed through because of lack of experience.

To its great credit, the Government is fully aware of the problem and has not, as happened in the past in other Arab countries, simply turned a blind eye and watched chaos ensue.

"For too long," said Sheikh Mohamed bin Hamad al Thani, Education Minister and brother of the *ruler*, "industrial sciences and manual skills bave been considered degrading, even though this view is at odds with the teachings of Islam."

The minister's words are easily backed by statistics. In the past 10 yeers the Government-run vocational training centre which offers courses in industrial skills up to City and Guilds standards has produced 1,350 qualifiers of which a handful have actually entered City and Guilds. The total intake in industrial vocational and professional institutes each year is around 500 students. This compares with an annual intake of around 850 men and women at the university.

In order to encourage young school leavers to learn industrial crafts and skills, students at the vocational training centre

Labour

are paid a monthly salary of around Qr 3,000 (£600 approx), equivalent to what they might be earning as unskilled employees of a government department. It should be noted here that contrary to popular belief, not all Qataris are wealthy and many young men find themselves with a relatively large family to support and few skills with which to earn money. Hence the pressure on most young Qataris to seek a rapid fortune through setting up a trading or contracting company which all too often ends in disaster simply because the market cannot support ony more traders and contractors.

In the long term, the average young Qatari from a family with a poor or modest income would actually have better prospects by learning essential skills not necessarily of the production line type, but perhaps in areas like plumbing and electrics or even electronics. Skilled journeymen command enormous salaries, but as the minister said such jobs are still considered degrading.

The contempt for manual jobs is a major obstacle to Qatar's dreams of becoming an industrialised nation, for under the present social prejudices the result can only be that the Qatari population wlli be bystanders for ever as other nationalities set, run, and ultimately profit from Qatar's industries.

Unfortunately the desire to prove that all aspects of Qatar's development are a brilliant success further compounds the problem. The education system from primary through to University level has developed by leaps and bounds in terms of numbers and this rather than quality has tended to be the yerdstick of success.

But the foreigners responsible for the education system have preferred to impose mediocre standards in examinations leading to extraordinarily high pass levels at all grades from secondary certificate through the bachelor degrees. As a result Qatari youth are deceived by the system into thinking that they possess skills and qualifications to rival those of other internationally renowned institutions and suffer severe psychological blows when they discover that they have not attained anywhere near the same standard.

The fault in this grave problem lies not with the Qataris themselves, for the generation who make policy had no opportunity themselves to enjoy the benefits of the highest levels of *education*. There were no modern style schools of any kind in Qatar until 1953. The responsibility as in so many development situations lies with those who are employed to advise, and seek to please rather than by imposing rigorous standards which are essential for sound development.

In other Gulf states, especially Bahrain, Saudi Arabia and Oman there is considerably less resistance to the idea of performing manual tasks, aod with the new rules of the Gulf Co-operation Council (GCC) allowing freedom of movement residence and work for GCC nationals, the Qataris may find themselves beaten to jobs in their own country by their Gulf neighbours.

Yussuf al Shirawi, Bahraini Minister of Industry and Development, once said that he had no fear for the future of Bahrain, since Bahrainis would wind the motors and polish the turbines of other states whose people *did* not *accept such work* even though it is essential.

In the end the success or failure of Qatar's development policy which made it the first Arab gulf state to adopt industrialisation as its main target, will depend on bow successful the Government is in persuading the young that they have to play their part in the industrial process, and that they cannot all be managers.

Ken Whittingham

Hopes for early improvement fade

Banking

UNTIL THE Gulf shipping crisis erupted at the end of April, bankers in Doha were looking forward to an improvement on a dismal 1983.

Now they fear a renewed impetus to cut government spending before the promised reflation has time to take effect. Qatar has no way of exporting its oil other than by sea, and even if tanker traffic continues to flow normally an innately cautious government may be tempted to conserve its revenues "just in case."

While there is general apprehension about the escalation of the Iran-Iraq war, at the time of writing there had been no wholesale flight of funds, although one or two investors had switched deposits to Jersey since the beginning of May, as a safer haven than the Gulf.

Liquidity is currently very much easier than it was in September and October last year, when government disbursements were months in arrears and banks were holding out life-lines to clients who would otherwise have gone out of business.

In the absence of a central bank swap facility, one foreign branch was more than 100 per cent lent and was oversold in dollars at the same—in the words of the manager "a very dangerous position to be in." Now its loans/deposits ratio has dropped to below 80 per cent and government payments have never been more up to date.

Qatar Monetary Agency (QMA) statistics for 1983 show the first contraction in domestic liquidity (M1) since 1980, albeit only 4.5 per cent. In 1981 there was a dramatic 50 per cent expansion, followed in 1982 by a more modest 11.5 per cent.

The QMA's insistence on a 7 per cent local deposit rate ceiling has resulted in a substantial proportion of private funds foreign currencies, primarily dollars. But last year private sector deposits remained static overall, and because of lower international interest rates foreign deposits actually dropped 3.6 per cent, in contrast with increases of 140 per cent, 116 per cent and 25 per cent over the previous three years.

Credit to the private sector rose 8.6 per cent and the banking system as a whole was 77 per cent lent (compared with 71 per cent in 1982). But 23 per cent of the lending was funded by foreign currency deposits, and with domestic lending rates pegged at 9.5 per cent this can hardly have been a profitable operation for the banks. On the other hand, at least one bank placed over 70 per cent of its total deposits with banks abroad, although only 50 per cent of these deposits were received in foreign currencies.

Total credit in 1983 amounted to QR6.06bn, against deposits of QR 4.65bn in riyals and QR 3.23bn in foreign currencies. By the end of March this year, credit had fallen by 3.5 per cent to QR 5.85bn, while local and foreign deposits increased to QR 4.89bn and QR 3.46bn respectively. Over 40 per cent of the borrowing is for trading, while just under 30 per cent comes under the heading of "personal." Industry accounts for under 5 per cent, and housing and construction for 12-14 per cent.

Stagnation

The aggregate assets of the 14 banks (including the Qatar Islamic Bank which will publish its first full balance sheet at the end of the current Hijra year) grew by only 4 per cent in 1983—and in individual cases fell by as much as 26 per cent.

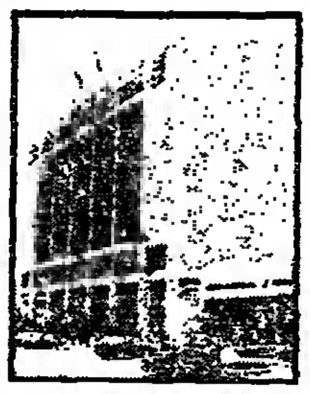
Profits generally were down, except at British Bank of the Middle East (up 16 per cent) and the partly government-owned Qatar National Bank (up 3.3 per cent). Most bankers blamed the downturn on the stagnation of the economy and uncertainty about government spending in the future. One expatriate manager complained: "When liquidity improves we would like to seek new outlets, but we dare not in case the improvement is only temporary." BBME, however, attributes its success to "more effective use of surplus funds" as well as to tight control of overheads.

At QNB, which ranks among the top 50 Arab banks, Dr Jawad J. Azzeh, the adviser to the board of directors, says the modest profit increases were possible despite a bad year because of overseas operations. "Ours is a big bank and we are not dependent on the local sector alone. Our branches in London and Paris provided the balancing that was necessary," he says.

With its big local currency deposit base, QNB often fulfils the function of a central bank as a supplier of riyals to the market.

Doha Bank also has a federally chartered branch in New York, but results there are not significant enough to contribute to overall performance and are not included in the balance sheet. The other local bank, Commercial Bank of Qatar, has not yet gone international, but its second local branch has achieved profitability in just 11 months. Foreign banks have been precluded from opening new local branches since the early 1970s.

Arab Bank admits to having felt the impact of a loss of deposits to the Islamic Bank, mainly from the Awqaf (Islamic endowments) department. It also set aside QR 4.6m as an end-of-service compensation reserve for its staff and QR 2.5m in loan loss provisions, which reduced declared profits. In Doha as elsewhere, Arab Bank sets great store by its liquidity.



The British Bank of the Middle East in Doha: profits up 16 per cent

Grindlays was not very forthcoming about its poor profit showing in 1983, but is believed to carry a heavy burden of non-performing loans. Citibank was not forthcoming at all: its after-tax profit tumbled 77 per cent, but the actual drop in net earnings was even steeper, from QR 4.082m to QR 0.635m (on which it paid tax at a lower rate).

Almost all banks report a reduction in letter of credit and guarantee business, reflecting the fall-off in trade and construction. Even QNB suffered a 41 per cent decline, while elsewhere the drop was as steep as 50-60 per cent. The impact of a QMA "guideline" which precluded insurance companies from issuing project-related guarantees and performance bonds has not been felt, because there have been hardly any new projects.

The volume of foreign remittances has also been reduced, but banks have been less affected than Qatar's 16 licensed exchange houses. At the same time some of the more enterprising banks are overcoming the disadvantage of statutorily restricted opening hours by taking remittance instructions direct from major employers of expatriate labour.

Before the introduction of licences in October 1982, some of the exchange houses were doing traditional banking business such as taking deposits and giving loans, and a few of them ran into trouble through speculating in gold. Now they may place orders for spot purchases of precious metals, but may not take a position.

One foreign bank which believes it is well-placed to benefit from the North Field gas development, if and when it comes, is Banque Paribas. It is the only French bank in a country where a strong "French connection" has been forged by two-way trade, as well as by the participation of CdF Chimie in the petrochemicals industry and Compagnie Francaise de Petroles in the North Field.

Profitable

Qatar Islamic Bank opened in July 1983 but did not really start to move forward until January this year, with the appointment as first general manager of Mr Qasim M. Qasim, from First National Bank of Chicago. Now it is growing by 10-15 per cent a month and is said to be already profitable.

QIB uses its funds mainly in trade financing, but it can invest any surplus in commodities such as base metals or permitted foodstuffs (but not in gold or silver, which is considered to be money). It can also place funds with other Islamic banks, on a profit-sharing basis, but hopes to diversify its outlets next year, since its charter permits the establishment of contracting, trading or real estate companies.

A fourth Qatari commercial bank was incorporated last year as a public shareholding company under the name of Al-Ahli Bank, and is due to open early next month. It has authorised capital of QR 60m ($16.5m) of which half is paid up, and is computerising its operation from the outset using the KAPITI programme which provides statements and transaction notices in both Arabic and English.

Al-Ahli Bank is headed by Mr Lesley Cant, who is well known in Qatar as a long-serving general manager of Grindlay's Doha branch; he concedes that this is not the most propitious time to be launching a new bank, but he will not be carrying large overheads and "the only way we can go is up."

Mary Frings

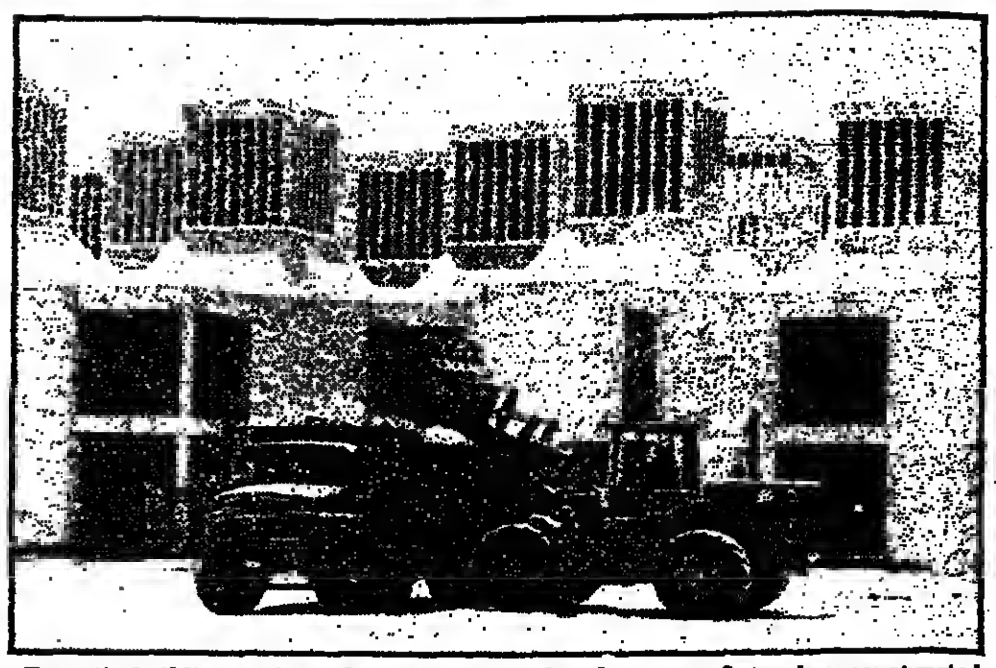
HOW COMMERCIAL BANKS PERFORMED IN 1983

(In QRm. QR 3.64=$1. 1982 results in parentheses)

Bank	Capital + reserves	Assets ex. contras	Loans/ advances	Customer deposits	Net profit after tax
1. Locally-incorporated banks					
Qatar National Bank	539*	6,087	2,788	4,081	81.1†
	(474)	(5,673)	(2,563)	(4,041)	(78.5)
Doha Bank	143	1,109	347	877	41.9†
	(109)	(1,019)	(292)	(789)	(48.6)
Comcl. Bank of Qatar	91	573	279	458	20.5†
	(77)	(502)	(234)	(383)	(25.5)
2. Branches of foreign banks					
BBME	10	746	360	682	7.4
	(10)	(760)	(380)	(704)	(6.4)
Arab Bank	10	727	161	596	6.2
	(10)	(820)	(193)	(686)	(10.5)
Grindlays	10	679	493	574	0.8
	(10)	(644)	(483)	(570)	(1.4)
Paribas	14	597	543	562	2.8
	(12)	(692)	(554)	(651)	(4.4)
Bank Almashrek	25	408	115	330	5.1
	(10)	(458)	(120)	(388)	(5.4)
Bank of Oman	10	331	145	318	2.3
	(10)	(446)	(95)	(438)	(3.3)
Chartered Bank	17	312	208	277	2.8
	(16.5)	(339)	(189)	(292)	(5.7)
Citibank	8.5	302	78	149	0.54
	(8.4)	(381)	(93)	(209)	(2.4)
United Bank	16	232	81	214	2.7
	(13.7)	(228)	(75)	(206)	(3.0)
Bank Saderat Iran	na	na	na	na	na

* QNB has additional inner reserves. † Local banks pay no tax.

Compiled by Mary Frings.



Frenetic building activity during the past decade means Qatar has constructed virtually everything necessary for the basic needs of its people. Above: the University in Doha under construction.

Opportunities opening up in service industries

THERE IS a myth in circulation that Qatar, and other Arab gulf oil producing states, are passing through a period of severe recession. But how can it be a recession, said Talal Abu Ghazala, a leading financial expert addressing businessmen in Qatar recently, when the rate of growth has simply declined from double to single figures, and is still better than the rate achieved by any other area of the world?

Certainly Qatar has entered an era of projected, though not real, budget deficits, and certainly income from crude oil exports has fallen significantly in the short term as a result of market problems. The Government has also embarked on a drastic policy of rationalisation in administrative costs and state expenditure. The much overdue rationalisation was instigated under the pretext of a lack of funds and perhaps a fear of current account deficits, but it cannot be attributed to recession. Similarly massive redundancies in the local construction sector in the wake of government restraint last year have now proved premature as work has begun on many new projects under the 1984-85 budget.

But there is a major transformation of the economy in progress simply because the requirements of the new stage of Qatar's long term development process differ from earlier phases. Much of the major construction work associated with infrastructural development is now completed. Such civil engineering projects as schools, ministry complexes and clinics can be handled by local companies which have—either through partnership with foreign contractors or through hiring top quality staff—prequalified for major contracts.

Put in simple terms, Qatar with its population estimated at 250,000, has virtually built everything necessary for the basic needs of the people, and is thus no longer in a desperate rush to cover the desert in concrete.

On the other hand though, many of the buildings and systems set up 10 years ago or more are now in need of repair and little by little the people of Qatar are becoming aware of the importance of service and maintenance industries and this is undoubtedly a major growth area for business in Qatar over the next five years.

Similarly with its primary industries in place and producing Qatar now badly needs to develop a string of light industries to turn intermediate products, especially petrochemicals into finished goods so that imports may be reduced and to develop new sources of export revenue. The Government through its Industrial Development Technical Centre (IDTC) has already identified 40 industrial ventures it would like to see and will actively encourage, but Qatari businessmen, lacking experience in industry and perhaps not knowing where to look for technical help, have shown little enthusiasm as yet.

Industries on the wanted list include production of wet and dry batteries, bricks, tiles, melamine and plastic products, household utensils, biscuits, canning factories, electrical accessories and paper tissues. Under new laws only Gulf Co-operation Council (GCC) nationals may enter into partnership with Qataris to form companies, with certain exceptions where it is deemed in the national interest, and a whole range of new laws affecting company formation and foreign investment, as well as sponsorship of foreign residents are slowly making their way through the cabinet and advisory council to the statute books.

Business and trade

Whatever changes emerge though there is no doubt that the Qatar Government wants to acquire foreign technology and wants to find ways to train its young people both in industrial management and industrial skills in order to create a balanced economy to replace the current situation in which the entire domestic economy depends on Government spending as the catalyst and prime mover.

In the meantime Qatar remains dependent on external trade to supply most of its needs for manufactured goods and foodstuffs, even though there has been marked progress in local production of food in the past two years.

Despite the adoption of the GCC unified economic agreement and the removal of trade barriers between member states, GCC exports accounted for only 3.3 per cent of Qatar's total imports for 1983 according to figures produced by the central statistical organisation at the end of May.

Total imports for 1983 at nearly QR 5.3bn (just over £1bn) were down 25.2 per cent on the 1982 total of QR 7bn. Japan and Britain with 21.8 per cent and 16.6 per cent respectively continued to dominate the import market each maintaining its share of the market from the previous year and reflecting a 25 per cent cut in total value of exports. British exports to Qatar according to CSO figures were QR 1.1bn (£231m) in 1982 and QR 884m (£177m) in 1983.

The dominance of Qatar's two traditional trading partners of recent years becomes clear considering that the U.S. in third place provides only 9.1 per cent of the total import bill while France in third place in 1982 has dropped to sixth place with less than 5 per cent.

Since transport equipment accounts for almost half the total imports and since Japan is Qatar's leading customer for oil, the Japanese position at the head of the importers' table is expected, but Britain's recovery to hold second place after falling down the league in the late 1970s shows that on the whole Qataris still prefer to buy British, a tendency reinforced by the presence of large numbers of British managers and technicians in local companies and Qataris' familiarity with the English language and ways of doing business.

Very soon work will begin on the preparatory stages of the North Field gas project estimated to cost $4-6bn over a seven year period and thus British companies can look forward to a healthy share of orders if current patterns are repeated, and, provided that exchange rates continue to favour sterling prices against the high dollar, the Qatar riyal being basically tied to the dollar.

The market is however for goods and services, and not as in the past for construction. Under existing pre-qualification systems, companies which do not already have a presence in the market will find entry difficult. But for anyone who takes the time and trouble to study the market properly and can provide what the customer wants exactly as a competitive price, and most importantly, with the right service back-up Qatar, like its neighbours, will continue to provide a healthy market-place.

Ken Whittingham

All eyes on the soccer stars

Sport

QATAR RESIDENTS whatever their nationality will join the nail-biting sessions in front of every TV set in the country at the end of July when Qatar's national football team seeks Olympian gold in Los Angeles.

The endeavours of Qatar's sportsmen have won the hearts of even the most cynical expatriate as the footballers first reached the final of the world youth cup in Australia in 1981 defeating Brazil and England only to fall in the final to West Germany.

In March this year the lads who were not given a ghost of a chance by Gulf soccer pundits lost the Gulf cup to Iraq on penalties after one of the best matches ever seen in the region. And then they went on to Singapore to qualify undefeated in their Asia group for the final stage of the Los Angeles Olympics.

The record speaks for itself. No amount of money can buy that kind of success on the field. But somehow the Qatari boys, from a pool of fewer than 3,000 registered players in the whole country, and with only one international class pitch, and a total of two grass pitches on which to develop their skills have moved from the kick-and-rush style of schoolboy soccer to sophisticated fast-running world-class play.

Much of the success can be related to the hard work of Brazilian coach Macedo Evaristo who has masterminded the development of the squad of national players over the past four years, but the attention given to sport by government and private sector alike has played a significant part.

At the end of May the first of six club sports complexes each costing around $10m was handed over to Al Ahli club one of Qatar's 12 youth and sports clubs. Each stadium includes 25,000 seat stadium, running track, indoor sports hall and will later include a swimming pool. Training and physiotherapy facilities formerly only available at the national sports complex at the Khalifa stadium will now be on hand for the top clubs and eventually for all clubs.

While Qatar is soccer mad, the more individual sports have also brought unprecedented success to this tiny country.

Saeed al Hajiri, Gulf and Middle East rally champion, is the first Arab driver to win his way by merit and results alone into a major works team to compete for the world rally championship.

Taher al Masri ran his first marathon in London in May and produced a very creditable time among the early finishers. He will be in Los Angeles looking for experience. In other sports chess players, ten pin bowlers and marksmen are gradually making their presence felt in Asian tournaments before facing world challenges.

Welcome

Success in sport is welcomed by any nation but for Qatar it has many important implications. Sport is seen as an effective way of building relations world-wide. Considering its size Qatar has done more than its share of hosting Arab and Gulf sports events and related conferences. And indeed it took the initiative in organising an Arab select XI to play a Gulf XI last year, including an Egyptian player in spite of the political boycott of Egypt by Arab countries.

Beyond the Arab world, sport has built bridges between Qatar and Latin America as well as providing strong links with old friends. Qatar recently signed a sports agreement with Britain to cover training of administrators and coaches for the new club complexes.

Like many countries where the young form a majority of the population and the standard of living is relatively high, Qatar faces a problem with its youth. A low threshold of boredom, a lack of leisure activities and the tight religious and social restrictions (including almost total segregation of the sexes) have led many young Qataris to seek pleasure through fast cars or drugs, a problem which has been recognised and indeed talked about by senior police and health service officials.

Sport and cultural activities are all part of a crash programme created almost regardless of cost to persuade young people to develop their skills and talents and make positive use of their long hours of leisure.

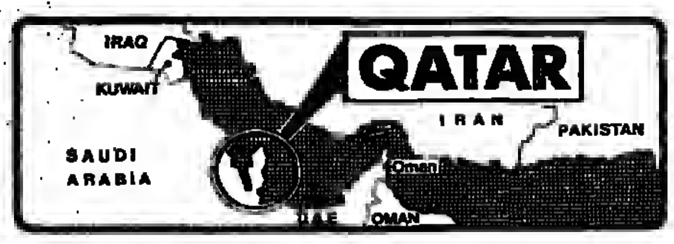
Qatar will be proud of its footballers in Los Angeles whatever results they achieve, for they have already earned their laurels, but the long term battle for the hearts, minds and physical fitness of the young generation, which is after all the beneficiary of current billion dollar development programmes has only just begun.

K. W.

Following the Saudis' line

Foreign policy

The Mirage F1 fighter. Earlier this year Qatar took possession of the first eight of a consignment of 14.



IN THE run up to the fourth Gulf Co-operation Council (GCC) summit last November, of which be was chairman and which was held in Doha, Emir Khalifa bin Hamada al Thani, the Qatari ruler, gave a rare interview to the local press—he usually leaves these things to his ministers. For the first time in a long wbile be gave a comprehensive exposition of Qatar's foreign policy.

The Emir listed three main principles that should govern efforts to maintain security and stability in the region. These were achievable, he said, only through collective action and better still through the CCASG (Co-operation Council of the Arab States of the Gulf).

The principles are: First, the security of the Gulf is integral. Second, the responsibility of maintaining the security and stability of the region is that of the Gulf peoples who reject any form of foreign intervention and rely "on self strength away from international rivalries." Third, that there is a cohesive relationship between the maintaining of security and stability on tha one band and efforts which should be exerted towards achieving a level of progress and development which guarantees for the citizens of the entire region their right to justice and dignified living.

Both Sunni

Ever since the oil concessions of 1935 forced Qatar and Saudi Arabia to sort out, willy nilly, their border claims (in fact, they were not fully clarified until the Second World War was over) Qatar has closely followed the lead of the bigger and more powerful Saudi Arabia.

Qatar is close to Sandi Arabia pbysically, indeed it abuts on to it. Emir Khalifa has been temperamentally close to the Saudi rulers—both tha Saudis and the Qatars are sunni moslems of the Wahhabi sect, ona of the strictest and most puritanical of Islam.

But in reality it has had very little choice but to follow the Saudi line. Although it has a very high per capita incoma (one of the highest in the world), its small physical size, 11,437m sq kms and a population of only 250,000 of which 70,000 are Qataris has left it with little independent leverage in external affairs.

In some way Qatar bas been more hawkish than Saudi Arabia on pan Arab matters. It has all along been insistent that the Palestinians sbould have their own independent state, and stridently bas said that the PLO should be recognised as the legitimate leadership of the Palestinians. Always though its stands have been within the paramaters of Saudi policy.

Like Saudi Arabia Qatar bas been a large donor to Arab countriea and causes in general and Iraq in particular.

When, in 1968, the then British Labour governmeot declared its intention of withdrawing its defence commitments east of Snez by 1971, Qatar was as keen as any of the nine Gulf emirates to form some kind of federation. But the task of sorting out decades of deterioration, disputes, foreign domination and possible loss of bard won self determination proved too mnch and Bahrain and Qatar dropped ont of the discussions. The seven other states formed the UAE (Abu Dhabi, Dubai, Sharjah, Ras al Khaimah, Ajman, Umm al Qaiwain and Fujairah).

The catalystic effect which the Iraq-Iran war has had on the Gulf states has meant a rash of proposals for closer co-operation since the GCG was formed in May 1981. The countries (Saudi Arabia, Oman, Qatar, Kuwait, Bahrain and the UAE) bave moved towards a common market, agreeing on a common external tariff of 4 per cent. They have come close to issuing common passports and have talked of a common currency. They have made it easier for professionals from one state to work in another.

It is in tha area of defence, bowever, wbere liason has really proceeded apace. Although mutual defence is ensbrined io the GCC charter in spirit, details bave not yet been agreed. Instead, different members of the GCC have entered into a series of bilateral defeoce agreements with Saudi Arabia. The first of these was with Bahrain in December 1981. That with Qatar was signed in February 1982.

Moving fast

Last November the GCC held its first joint defence exercise in the UAE. Since then there have been little publicised air force manoeuvres. It would be premature to say that the GCC can as yet act as a coordinated force. For one thing the various countries hava different systems. Oman bas almost exclusivaly British equipment, while Saudi Arabia has U.S. hardware. Qatar is equipping itself with French aircraft and material.

But the Gulf states are beginning to move fast. As one western military observer put it, "you have to remember that a year ago they did not even bave a secure communication system with which to talk to one another. Now they are meeting and planning all the time."

The recent escalation in the Gulf war to include attacks on shipping bas instilled an even greater sense of urgency. Qatar was gratified that Saudi Arabia acted promptly in warning Iran about hitting third country vessels, and that Saudi Arabia has drawn up a shipping line within Gulf states territorial waters. It was pleased that the U.S. has given Saudi Arabia Stinger missiles, but even more relieved that neither Saudi Arabia nor any other Gulf states reacted to President Reagan's suggestion that the U.S. would only intervene if directly asked by a Gulf state.

Qatar like other Gulf states harbours very real fears that any kind of vacuum would invite the Russians to interfere. They are equally nervous about further U.S. involvement. They remember the hostage crisis during the Carter administration.

Qatar's position is that it is concerned, but that since it is powerless to do anything it bas not allowed itself to become overconcerned. It realises that it is defenceless. Its oil storage depot Halul island is undefended for example. But it feels that it is not in the eye of tbe storm like Kuwait, say, and also feels confident that Saudi Arabia, Oman and Kuwait between them form a sufficient deterrent to Iran.

On the question of the other threat—that Iran will somebow ignite the Shia populations of the Gulf states to rise up, Qatar has few fears. Its Shia population was never that great, possibly 25,000. This bas now dropped as Iranians bave gone bome.

It may not be overly concerned but Qatar is still building up its defences. Earlier this year the country took possession of eight Mirage F1 fighters, the first of a consignment of 14. It bas around six Alpha training jets and also has bought three Commandante fast patrol vessels from the French, all equipped with Exocet missiles. Qatar only has one airport at the moment for both civilian and military use, but it is in the process of building a military base at a cost of $550m.

The army, currently around 6,000 men, is also being beefed up, although there are some problems bere in the shortage of Qataris. Thera are thought to be some 20 different nationalities in the Qatar army.

Stewart Dalby

Agriculture

The new sheep market in Doha. Qatar is only 6 per cent self-sufficient in sheepmeat.

War heightens concern over food imports

QATAR LIKE some other Gulf states has long been worried by its dependence on imported food. This concern has been especially highlighted in the past four years because of the Iran-Iraq war. The Qatar peninsula is particularly vulnerable in that, if the Straits of Hormuz were closed then most food imports would have to come by land over tortuous routes through Saudi Arabia and shortages could easily occur.

On the face of it, Qatar has been moving in the direction of lessening food imports moderately successfully. According to Mr Ahmed Abdel Rahman al Mana, the Under Secretary of Agriculture, Qatar in 1982 was 68 per cent self sufficient in summer vegetables and 42 per cent self sufficient in winter vegetables for its population of 250,000.

In 1949 (admittedly when the population was only 25,000) hardly any vegetables were grown. There was a little date growing and some scrub for pastoral Bedu, grazing camels and goats wherever they could find pasture in tha largely arid peninsula.

A report drawn up last year for the Economist Intelligence Unit, by Mr Howard Bowen and Mr Roderick Hutton, drew heavily on the findings of a ten year survey and assistance programme by the UN Development Programme and the Food and Agriculture Organisation, which cost some $2.7m.

The EIU survey found that, "While the territory of Qatar is relatively small and homogenous compared with that of Oman, Saudi Arabia, the United Arab Emirates and the Yemens . . . it remains unfortunately true that Qatar is the only country in the Arabian peninsula in which it is possible to find a firm and coherent data base on which to build an agricultural policy."

A firm data base, however, should not disguise the fact that, apart from vegetables, Qatar is heavily deficient in most other agricultural products. The Qatar 1982 Agricultural Yearbook shows that in cereals overall there was self-sufficiency of 0.94 per cent. Barley which is little consumed by humans compared with wheat accounted for a 73 per cent self-sufficiency level within the cereals category.

In poultry there was just 10 per cent self-sufficiency, all beef was imported, in sheepmeat the country was 6 per cent self-sufficient and, even with dates the national crop there was only 70 per cent self-sufficiency.

In terms of tonnages wheat accounted for 39,097 in 1982, the last year for which figures are available, barley 14,330, rice 12,503, while all vegetables consumed amounted to 29,300. It may sound contradictory to say Qatar is 68 per cent self-sufficient in vegetables than add that it also exports vegetables to its neighbours. But imports are sometimes as long as six months in advance, so there is overlapping.

The figures for vegetables can give a slightly misleading picture about overall food self sufficiency, since vegetables do not constitute a major part of the diet. The EIU report reckons that cereals provide over 50 per cent of the calories in the average diet. The shortage of homegrown cereals taken together with the lack of locally bred livestock probably means the overall level of food self sufficiency is low, probably no more than 20 per cent.

High cost

Furthermore, although progress in vegetable production may seem impressive, it has been achieved at a high cost in wastage of the country's main agricultural resource, water.

The south west half of the country has virtually no natural water at all. The north east half has a large underground aquifer.

The Ministry of Agriculture estimates that in 1983, total water usage was 115m cubic metres of which possibly 75m was natural water used for agriculture. The country has only recently started using treated sewerage effluent (TSE) for agriculture on any scale, and desalinated water is used mostly for commercial and domestic purposes. At the 75m cubic metre usage, the aquifers are being used at twice the safety level if salination is to be avoided.

Part of the problem is that while the Government has in theory encouraged vegetable cultivation there has been no overall plan and it has tended to grow in haphazard fashion. Many of the farms are small, and vegetable cultivation often takes the form of attempts to prettify gardens of country estates. Of the 500 or so working farms over one quarter are less than three hectares in size, 20 per cent between three and five hectares and a further quarter between five and 10 hectares. Often water has been used in indiscriminate fashion with sprinklers going 24 hours a day. Drip irrigation which is more conservationist is rarely used.

Qatar does intend to concentrate further on vegetable production and attain self sufficiency. Almost everyone agrees that it would not be economic to try and grow cereals on any scale, or develop large livestock herds. Apart from unsuitable soil, there is not enough water, and the cost of desalinated water on the scale envisaged would be prohibitive. There are also the high cost of imported inputs to be considered.

This is not to say that no cereals are grown. The Government itself runs a 40 hectare farm for barley. There are some 220 hectares under barley and wheat.

There are some small attempts at developing livestock. The Government runs an experimental sheep farm. There is a farm for a dairy herd of 1,000 Friesians for milk purposes. There is also a poultry project and the ministry estimates that within two years the number of poultry and eggs will have increased threefold to give a 30 per cent self sufficiency.

At the moment only some 3,000 hectares out of a possible cultivatable area of 30,000 hectares are being used, or 1 per cent of the total land area of Qatar. There is scope for further development of vegetables.

To this end two experimental projects are now in operation. At the Government run farm at Al Otariyah trials for cooled greenhouses to grow cucumbers have been taking place. A Dutch company, HVA, is to take the project further with a QR 30m turnkey contract to instal three hectares of greenhouses and the equipment to cool them by water evaporation in the day time and air conditioners at night.

In another experiment to be carried out with Japanese help Qatar hopes to turn the sun into an asset rather than an agricultural liability. The Industrial Development Technical Centre (IDTC) is overseeing a project to use solar heat. The idea is to vaporise sea water in ditches and allow the vapour to permeate a cooler bed of sand above. The system is to be used for two years to grow vegetables including green peppers and tomatoes and the IDTC will then decide whether to adopt the plan on a large scale.

The beauty of the Japanese plan is that it uses seawater. It is widely recognised that if self sufficiency in vegetables is to be attained it is vital that a more rational use of water is applied.

Safe level

The EIU study estimates that allowing for population growth and so on agriculture, providing water is used on a more conservative basis, would need around 80m cubic metres a year. The report says 20 per cent of this should come from re-treated sewerage and the rest divided half and half between desalinated water and natural water. This would get the use of natural water down below the safety level of 30m cubic metres.

Qatar has been using TSE since 1974 and various studies suggest that by the turn of the next century some 22m to 37m cubic metres could be available from this source.

As for desalinated water there could be a problem in the short term in that the Government is committed to supplying all domestic and commercial needs in the capital area where well over half the population lives. At the moment this amounts to 50m cubic metres a year from two power stations and desalinators. The country will need a third power plant at Wusail. This is due to be built at a cost of $1bn, but like other capital projects nothing appears to be happening because of the freeze on spending.

S. D.

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FINANCIAL TIMES SURVEY

Monday July 9 1984

Vans and Light Trucks

Japanese producers have set the pace worldwide—in Europe taking any growth in sales from local makers. Competition in the European market is intensifying with increasing efforts put into offering the most refined vehicles in all classes

HOW FAR will the Japanese feel it is prudent to go with their penetration of the West German light commercial vehicle market? That is a question currently preoccupying the European producers of vans and light trucks.

By Kenneth Gooding
Motor Industry Correspondent

The Japanese have set the pace worldwide in this part of the commercial vehicle business. they have employed a technique similar to the one which enabled Japan to become the world's major car producer.

They have concentrated on keeping production as much as possible in Japan and developing very high volumes and exceptional production efficiency so as to tackle export markets with low-cost vehicles.

In this way they have *snapped* np all the growth in light commerical vehicle sales. The European manufacturers have suffered most because they have always been more accustomed to exporting than the U.S. companies.

The Europeans have been pushed back further and further into their own territories. For some years the Japanese built up sales mainly in those European countries which do not have their own national manufacturers.

They changed tack recently to make a big psh into West Germany, practically the only major market in Europe with an "open door" policy.

The Japanese share of the West German market for medium commercials (vans and pick ups) rose from 4.5 per cent in 1980 to 11.7 per cent in 1981, to 13.8 per cent in 1982, accelerated to 19.3 per cent in 1983 and by the end of April this year stood at 25.8 per cent.

As for light commercials (car-derived vans and some micro-vans) the boost came between 1980, when the Japanese share in West Germany was 5.3 per cent and 1981 when it soared to 29.9 per cent. Since that time the Japanes share has peaked at 55.4 per cent in 1982 before slipping back to *45.4 per cent at the end of* April this year.

This progress in Germany has helped lift the Japanese share of total West European light commercial vehicle sales in spite of the fact that Japan is practically excluded from selling in Italy, Portugal and Spain and faces constraints in France and the UK.

The Japanese at the end of April had an 11.1 per cent share of West European sales of light commercials, np from 5.4 per cent in 1980. In the medium commercials market, Japan's penetration improved from 11.8 per cent in 1980 to 19.7 per cent by the end of April this year.

Faced with various forms of protectionism which has prevented volumes surging ahead at past rates, the Japanese have chosen to increase their income from Europe by selling commercials with a higher vaine—hence their progress in the medium sector recently has been faster than in the light commercials business.

The West German motor industry relies as heavily as Japan's on vehicle exports and is loath to resort to any form of protectionism. Bnt in the van and light truck business the Japanese are taking a heavy toll.

Last year exports of commercials of between two and six tonnes gross weight from West Germany fell by nearly 10 per cent (from 74,525 to 67,140) and the major producer, Volkswagen, suffered decline in output. The VW van plant have been on more or less permanent short time working as production fell from 78,800 in 1980 to 68,700 in 1981 and to 66,200 last year.

Growth

Meanwhile, Japanese export growth continued. Exports of small trucks (up to 2 litres and above 500 cc) accounted for nearly 82 per cent of last year's output totalling 1,478,035.

In 1982 Japan produced 1,377,195 small trucks and exported 78.1 per cent.

The country also produces buge numbers of midget commercials with power units up to 500 cc but these are peculiarly Japanese and there is little export. Output of midgets last year was up from 1,213,520 (of which 58,810 were exported) to 1,241,250 (30,170 exported).

To give some comparison—although because of the different requirements in different national markets exact comparisons are not possible—U.S. production of vans and light trucks last year was 2,136,000, up from a depressed 1,725,455 in 1982.

And outpnt of commercials up to 3.5 tonnes gross weight in the major European production countries (*Belgium*, France, Italy, Netherlands, UK and West Germany) according to DRI Europe, fell from 876,220 in 1982 to 872,210 last year.

The Japanese have shrugged off a big set-back in the U.S. where General Motors and Ford started production of their own pick-up trucks whereas they once relied on Japanese products—GM took Isuzu vehicles and Ford used Mazda pick-ups.

Changes in the rules governing imported vehicles have made it more economic to produce in the U.S. As a result Nissan has also set up a pick-up truck facility in Tennessee to protect its position in the States where pick-ups accounted for 20 per cent of the former Datsun group's total sales.

The first Tennessee *Nissan* pick-up rolled off the line in January last year and the company expected to be at full production—an annual 10,000—by the middle of this year.

In Spain, Nissan has been persuaded to take control of Motor Iberica by a Spanisb Government which wanted to put its motor industry into better shape for the time when that country became part of the EEC.

In Febrnary last year, the first Iberica-built Nissan Patrol, a four-wheel-drive vehicle, was produced and Nissan's objective is to put output gradually up to 15,000 a year of which over half would be exported.

Smaller

Nissan also intends to build its Vanette, a van somewhat smaller than typically used in industrialised Europe, at Iberica, starting towards the end of this year.

Eventually Nissan expects to make about 7,000 Vanettes a year for Spain and another 8,000 for export.

Another Japanese light commercial vehicle produrer, Isuzu, is to have its WFR van (similar in size to teh Vanette) produced in the UK by General Motors' Bedford subsidiary, starting at the end of this year. GM has spent some time on "Europeonising" the Isuzu van and hopes to lift EEC content to 80 per cent by ex-factory value so that the vehicle will be given free access to countries such as France and Italy where Japanese products face severe restrictions.

GM expects annual output of the WFR to rise to 20,000 and to export about half that number.

GM, the world's largest vehicle produrer, has a 34 per cent shareholding in Isuzu and has drawn the Japanese company very closely into its "world truck and bus" programme.

The first vehicles resulting from this project—which *links* GM's commercial vehicle operations in the U.S. and Brazil with those of Bedford in Britain and Isuzu—will not be seen until the end of the 1980s by which time the Bedford CF van will be getting very old in the tooth.

Ford has found that a company can wait too ong before replacing a popular commercial vehicle and the Transit van, now in its 20th year, is at last showing signs of fading in the market place.

Partly this is because the Transit's main rivals in Europe are now all under three years of age: including the Volkswagen Transporter, Renault Trafic, Fiat Ducato, Peugeot J5, Citroen C25, Talbot Express and the Toyota Hiace.

And partly it is because more and more potential customers are becoming aware that Ford's Transit replarement, code-named Triton, is due to be launched at the tail end of 1985.

Meanwhile, competition in the van market seems rertain to *intensify*. *Continuing austerity* measures in France will reduce consumer spending still further and have an adverse impact on the light commercial vehicle sector, thus forcing the French van producers to look to exports for growth. Italy faces the same kind of short-term problems.

As the recent European Trucks report from DRI Europe suggested: "The light commercial vehicle sector, which has come through the recession virtually unscathed, is due for a quiet period (of demand) in the short and medium term.

"The slow growth in consumer spending forecasts *suggests* that market volumes of vehicles up to 3.5 tonnes are unlikely to register significant gains in the near term. In the medium and longer term growth is expected to accelerate somewhat."

CONTENTS

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FORD SPENDS £74m AS LIGHT COMMERCIAL VEHICLE SECTOR SEES . . .

Heavy investment and buoyant sales

The UK

KENNETH GOODING

BRITAIN REMAINS a force to be reckoned with in the light commercial vehicle sector. BL's Freight Rover and Land Rover subsidiaries have been spending heavily on new products; General Motors is putting more money into Bedford—albeit for a Japanese-designed van—and Ford is in the process of revamping its Southampton van plant at the cost of £74m.

Ford has a great deal at stake because Southampton will build the replacement for the Transit van, for most of its 19 years the best-selling commercial vehicle in the UK and the most successful vehicle of its type in Europe.

In spite of Ford's efforts to freshen up the old van, Transit is finding the going increasingly hard now that most of the competition is less than three years old.

Ford's updating of Transit boosted its share of Britain's medium van market to 42 per cent in 1982. Last year it fell back to 38 per cent and by the end of April this year had dropped to 36.6 per cent.

Transit has been under pressure particularly from Renault's Trafic which has moved from a 2.9 per cent penetration to 5.5 per cent at the end of April and the Talbot Express, up from 3 per cent to 5.1 per cent over the same period.

Ford has now embarked on one of the largest investment projects ever announced for the UK commercial vehicle industry at the Southampton plant. It says the work will be completed by the end of 1985—which gives a clue to when we can expect to see the Transit replacement, code-named Triton.

The Transit is also produced at Ford's Genk plant in Belgium and that facility will almost certainly be revamped at similar cost because Ford's aim is to produce the Triton much more efficiently than the vehicle it replaces.

For example, the company says that Southampton will get 80 robots and 50 programmable welding units as part of its reconstruction.

In the circumstances, Mr George Simpson, managing director of BL's Freight Rover offshoot, is particularly pleased that his company has completed revamping its product range ahead of the Triton's introduction.

Freight Rover was almost killed off in 1981 but was reprieved, given its own management team and £30m for new products and to upgrade its manufacturing facilities. Last year it achieved record sales worth £75m and its vehicle sales were 48 per cent up from the 1982 level at 14,210.

The new year started well for the company because it won a further major order from British Telecom—for 2,200 Sherpa vans—and then launched its wide-bodied van range.

These give Freight Rover more power to claw back sales from the market leader (Transit) and take it into the so-called PV3 sector for vehicles between 2.8 and 3.5 tonnes gross weight for the first time. Mr Simpson expects the wide-bodied Sherpa to capture 15 per cent of the PV3 sector by selling about 3,600 units a year. Ultimately be hopes for 20 per cent an annual sales of about 5,400.

So far this year the wide-bodied Sherpa has moved up to an 8 per cent ahare—every sales captured from a competitive van.

Freight Rover bad slipped to medium van market by 1982 only 13.9 per cent of the from over 17 per cent. Last year it was back to 16.2 per cent.

That shows what new products can do and raises questions about Bedford's contender in the medium van sector—the CF. Bedford accounted for 14.2 per cent of the medium van market in 1981 after peaking at 16 per cent some years ago. By the end of last year its penetration was down to 10.3 per cent.

There is no sign that the CF will be replaced hefore the late 1980s. In the meantime, Bedford is launcbing into a different van sector with a version of the Isuzu WFR which is smaller than the CF and less likely to appeal to the large fleets.

Nevertheless, Bedford bas spent about £17m to introduce the WFR wbich will be made alongside the CF at Luton wbere General Motors' total investment in new van facilities is £50m.

Bedford bas worked on the WFR design to make it more European and promises that the van will be an 80 per cent EEC vehicle in content by ex-factory value. As a "European" van the Bedford-made WFR will have free access to markets like France and Italy where few Japanese commercials are currently sold because of restriction on imports. In the UK the Japanese restrict their light commercial vehicle sales at around 12 per cent of the total market.

Annual production of the WFR, which is expected to roll off the Luton lines at the end of this year, is forecast et 20,000 with half for export.

General Motors is also considering introducing a version of Suzuki's micro-van at Luton, but this project now seems many months away.

Bedford launched a revised range of CF vans in June with transmissions made by GM's subsidiary in the Philippines and an engine from Opel in West Germany, both replacing UK-built units .

Ironically, shortages of the engines—2 -litre petrol units—caused by the metal workers' dispute in West Germany brought the CF van lines at Luton to a halt very shortly after the revised range was launched—which must have given GM further food for thought about its world truck and bus programme.

The "old" CF was given substantial marketing support by Bedford in the early part of this year. And Freight Rover belped Sherpa on its wey by offering dealer's salesmen £25 for every one they sold. These two campaigns helped lift the total medium-heavy van market but most forecasters believe this particular sector is on its way to a record in 1984 in any case.

The Society of Motor Manufacturers anr Traders' April forecast for example, suggested registrations would reach 123,000, an all-time bigh and well above last year's 116,825.

Light van sales are also forecast by the society to be buoyant this year. It forecasts 88,000 registrations, up from 85,500 last year but still some way behind the record 92,600 for 1979.

General Motors is doing much better in the light van sector because of the popularity of its Astra van. GM's share of the sector improved from 16.6 per cent in 1982, to 18.9 per cent last year and by the end of April was np to 22.8 per cent, not far behind Austin Rover's 23.6 per cent (down from 28.2 per cent for 1983).

Ford still leads the light van sector—its 1982 share reached 36.4 per cent but it has now slipped to about 30 perf cent—and is now in a position to matcb the Astra with riesel versions of the Fiesta and Escort vans.

Diesels raced to 45 per cent of total Astra van sales after GM made the oil-burning engines available.

The new Ford 1.6 litre diesel engines, introduced at a cost of $196m and with a planned output of 150,000 a year at its Dagenham plant in the UK, could be accounting for 30 per cent of the company'a car-derived van sales before long, according to the. company's more optimistic diesel supporters.

UK VEHICLE PRODUCTION

	Passenger cars	Light commercial vehicles	Medium commercial vehicles	Heavy commercial vehicles
1982				
1st qtr	257,100	51,300	12,600	5,700
2nd qtr	228,700	49,800	12,600	6,800
3rd qtr	176,400	43,200	10,300	5,400
4th qtr	226,500	54,700	9,800	6,600
1983				
1st qtr	266,200	55,200	8,700	6,000
2nd qtr	287,200	47,500	10,000	5,200
3rd qtr	225,900	37,800	7,600	4,700
4th qtr	265,300	46,400	9,600	5,800

Source: Department of Industry

PRODUCTION OF VANS AND TRUCKS IN WEST GERMANY

	1978	1979	1980	1981	1982	1983
Vehicles up to 2 tonnes	3,800	8,225	6,135	6,490	12,575	31,160
Vehicles over 2 tonnes to 6 tonnes	156,090	161,835	181,090	138,050	123,600	121,745
Total vans and light trucks	159,890	170,060	187,225	144,540	136,175	152,905
All vans and trucks (including over 16 tonnes)	265,810	280,905	314,985	272,475	257,335	259,185

Source: West German Automobile Industry Association (VDA).

Sluggish market and invasion cause problems

West Germany

JOHN DAVIES

WEST GERMAN makers of vans and light trucks have had more than their share of troubles—with sluggish markets, growing foreign competition and, on top of it all, the recent labour conflict over demands for a shorter working week.

Executives have been anxiously counting up the days as the labour dispute in the country's metal industries dragged on much longer than expected, leaving vehicle assembly lines idle.

The immediate impact on sales was limited, because of dealers' stocks and supplies in te pipeline to export markets. But the lenth of the dispute caused concern that opportunities coulud be lost, just as some markets were showing signs of promise.

The prospect of higher wage costs arising out of a settlement of the labour ocnflict is also discouraging to the industry. German producers have already been facing intense competition from imports of Japanese and Italian vehicles, particularly in the smaller product range, and increased costs will make it even more difficult to hold ground.

Overall production of vans an dtrucks of np to six tonnes permissible weight showed a recovery last year, but the revival was basically in the sector of car-derived vans, which bave developed an appeal as leisure vehicles, as well as commercial workhorses.

Reflecting this trend, production of vehicles of up to two tonnes reached 31,160, an increase of nearly 150 per cent on 1982 and eight times as many as in 1978. On the other hand, vehicles of between two and six tonnes showed a further decline—for the third year in a row—to 121,745. However, the decline of 1.5 per cent was much less than the 10.5 per cent drop in 1982 and the sharp 23.8 per cent setback in 1981.

In the early months of this year, production of vehicles up to two tonnes showed a further increase—reaching 13,760 to the end of April, up nearly 50 per cent on the same period last year.

In the heavier range from two to six tonnes, output was barely ahead of a year ago at 44,910 to the end of April, but was still well below production in the same period two years ago.

Sales of vans and light trucks in West Germany were boosted last year by Federal Government aid for investment and general economic revival.

New rigestrations reached 79,230, up 16.3 per cent on 1982. But even so, the recovery did not not fully make up ground lost earlier. Sales were held down on the 83,120 of 1981, and 95,500 of 1980.

The biggest increase in sales last year was in the smaller segment to two tonnes, up 51 per cent to 14,285, while the range of two to six tönnes advance? 10.6 per cent to 64,945.

The West German market showed some further signs of revival this year, but sales have been distorted by unsettling effects of the labour dispute—with some customers anticipating disruption and bringing forward purchases, while others have shown reluctance to invest until the effects of the dispute on the economy are clear.

Export sales

Export sales of lighter vehicles up to two tonnes improved last year, rising 160 per cent to 25,245. Heavier vehicles from two to six tonnes generally encountered sluggish markets with exports declining 9.0 per cent to 67,140.

The biggest force in the West German market, VW held on to a market share of 44 per cent in the ranges up to six tonnes last year, but its share has been steadily eroded over the years and it faces strong competition from Japan.

The U.S. has been a bright spot for VW this year. Dr Carl Hahn, the chief executive, pointed out recently that VW exported 6,450 Type 2 transporters to the U.S. in the first four months of this year, a 37 per cent increase.

Short-time working has been a regular feature of life at VW's Hanover plant in recent years, and the company operated 15 days of short-time work in the first four months of this year.

However, some export markets in Europe were promising last year and have continued to pick up this year, while the U.S. —where Volkswagen has been building up sales of its Type 2 transporter—has shown rapid improvement.

VW has still been wrestling with big problems in its commercial vehicle business, with output of its Type 2 falling 17 per cent last year to 155,500—compared with 217,876 in 1980.

Production of the larger LT transporter edged ahead last year to 21,635, but was well below the 1980 level of 34,330.

In addition, more than 9,300 Caddy vehicles, introduced in late 1982, rolled off VW assembly lines in Yugoslavia last year.

With the labour conflict halting assembly lines from the end of May, VW has been losing production of about 600 Type 2 and about 60 LT transporters a day. The company hopes to make up much of the lost ground later this year through extra shifts of work.

Under capacity

As the Hanover plant has been running et well below full capacity, its work force, now down to about 19,500, is to be steadily reduced even further through early retirement at 57. For a limited period, the company also offered aid to foreign workers prepared to return to their home countries.

Daimler-Benz production in the range to two tonnes edged ahead to 46,500 last year, but its output in the four to six tonnes was slightly lower at 17,380. Its total production was running marginally ahead in the first four months of this year at 21,715.

Its sales in West Germany showed a 4.7 per cent rise in the first four months of this year at 10,195 and its market share moved up to 24.9 per cent from 24.6 per cent in the same period last year.

It has found encouraging signs in European export markets. In the first four months of this year, sales of its lighter commercial vehicles in the two to four tonnes range in France —its main European export market—were running 25 per cent ahead of last year, altough heavier vehicles showed a decline.

In the UK, its overall sales were running 1.6 per cent ahead, while the Netherlands, its third largest European export market, showed a 45 per cent increase. Italy, where the market was recovering from a trough, Daimler-Benz recorded an increase of over 50 per cent.

Because of the labour dispute, Daimler-Benz lost production of about 5,000 transporters by the end of June, but is hoping to make up some of the lost. Although the domestic market ground through extra shifts trend is uncertain, it is more confident about export markets.

Daimler-Benz has been in the process of concentrating all of its light comercial vehicle production at Dusseldorf — moving smaller vehicle assembly from Bremen, which is becoming a second major car assembly plant in addition to Sindelfingen, near Stuttgart. The process of transferring production from Bremen to Dusseldorf is expected to be completed by late summer.

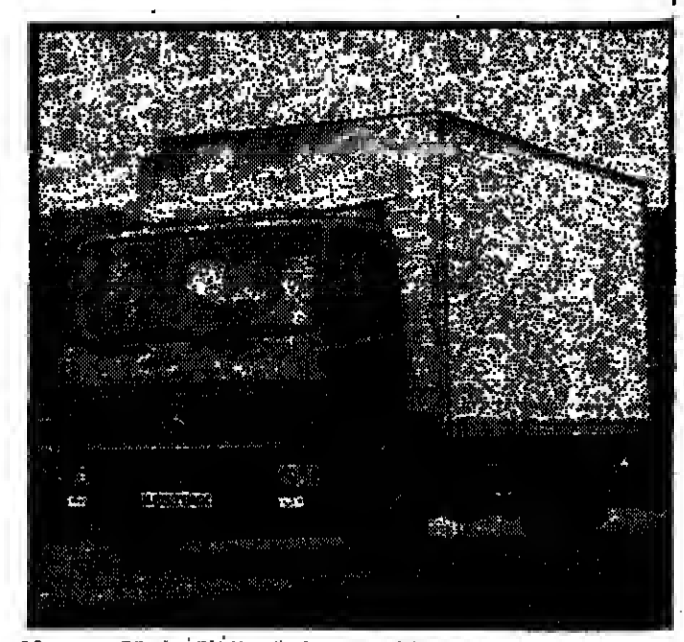
Ford, which produces its Transit vans at Genk, Belgium, suffered a setback last year, with production down 22 per cent to 34,490. Production in the first five months of this year, however, was 18 per cent ahead at 18,315.

Ford's market share in West Germany declined from 10.8 per cent in 1982 to 9.2 per cent last year. In 1979 it claimed a market share of 15.5 per cent and in 1980 13 per cent.

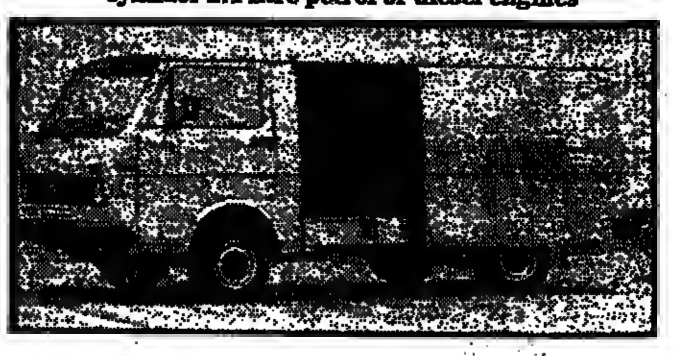
Herr Roger Leitz, a board member, said that Ford aimed to hold its market share at 9 to 10 per cent, a goal it believed was realistic.

M. Daniel Goeudevert, the French head of Ford, said recently that the pressure of Japanese competition had greatly increased — and Japanese imports would gain further ground as a result of the labour troubles over shorter hours. He pointed out that in one market segment of light commercial vehicles the Japanese had a market shareof 4 per cent in 1980, but had boosted it to 26 per cent in the first four months of this year.

He sees the Japanese challenge as a major problem — made more difficult by the extra costs involved as a result of the dispute over a cut in working hours.



Above: Mercedes' latest 7.5 tonners match the private car for ease of driving. Below: Volkswagen's LT delivery van which can be fitted with either six-cylinder 2.4 litre petrol or diesel engines



Fiat exports a runaway success

Italy

JAMES BUXTON

THE REVIVAL of Fiat, the success of the Fiat Uno car and the Turin-based company's rising share of the Italian car market (higher than that of any other manufacturer in its home market) are well-known facts. What is less well known to anyone not connected with the sector is the great success Fiat has had recently in the field of vans and light trucks.

The figures almost speak for themselves. In 1981 Fiat Auto, the car and light vehicles subsidiary of the group, had 40.4 per cent of the Italian commercial vehicle market (for vehicles of up to 1.5 to 1.8 tonnes carrying capacity). In 1983, this share had risen to 53.2 per cent, and in the first four months of this year to 56 per cent.

This success was achieved at a time when the market as a whole was declining—from 115,000 vehicles in 1981 to 101,000 in 1983.

One word explains much of what Fiat has achieved—Ducato. Ducato is the name of the new range of vans in the 1.3 tonne capacity range which was launched by Fiat in late 1981 and has seen its market share rise steadily. Fiat had 22.3 per cent of that segment of the market in 1981 when the Ducato came in last year it had 55.5 per cent (with 22,000 vans) and in the first four months of this year its share approached 60 per cent.

The Ducato is built in a brand new plant in the Sangro River valley on the Adriatic coast near Pescara, as a joint venture with the French Peugeot Citroen group. It is now being sold in France under the Citroen, Peugeot and Talbot marques, and later this yaar will be introduced to Britain.

Its runaway success in Italy is due to a number of factors. The Ducato is a modern van prodnced in a highly-automated plant which achieves a very high quality of finish. When it came on the market Fiat had no diesel van in that range, despite the fact that diesel fuel is about a third cheaper than petrol in Italy. So when it arrived, the well-entrenched Fiat sales organisation was able to make the most of those factors which induce a majority of Italians to buy Fiat if they can, and ensured the Ducato's success.

Share

The biggest loser in face of the Ducato was Ford, whose Transit van had about 30 per cent of the Italian market, thanks in part to its diesel engine. The Ducato pushed the Transit's sales down, until last year it accounted for 17.3 per cent of the market, and its market share was down 15.3 per cent in the five months to May this year, according to Fiat.

Other vans, the Volkswagen Transporter, the Renault Trafic, the Bedford CF and Leyland Sherpa, all suffered too — the Sherpa to the point where its market share was only 0.3 per cent in the first five months of 1984, compared with 4.5 per cent in 1981.

Ford is now striking back by putting a new diesel engine into the Transit, which is now 20-years-old. Fiat, however, buoyed by the success of the Ducato, is sceptical as to whether the U.S. company will succeed in doing more than arresting its market decline.

In the smaller 500 kg sector of the market the Fiat Fiorino, a version of the Fiat 127, has recently increased its already strong market presence by the addition of a diesel version.

The share held by the Fiorino, which for the Italian market is made by Fiat in Brazil, rose from 83.3 per cent in 1981 to 87.6 per cent in 1983 alongside it. However, the Marengo has seen its share go down from 29 to 23 per cent over the same period.

The Ducato also appears to have taken market share from the Fiat 242, an older petrol-engined design in the 1.5 to 1.8 toone sector of the market. The Fiat 242's share went down from 23.5 per cent in 1981 to 15.6 per cent, in 1983.

Twin wheels

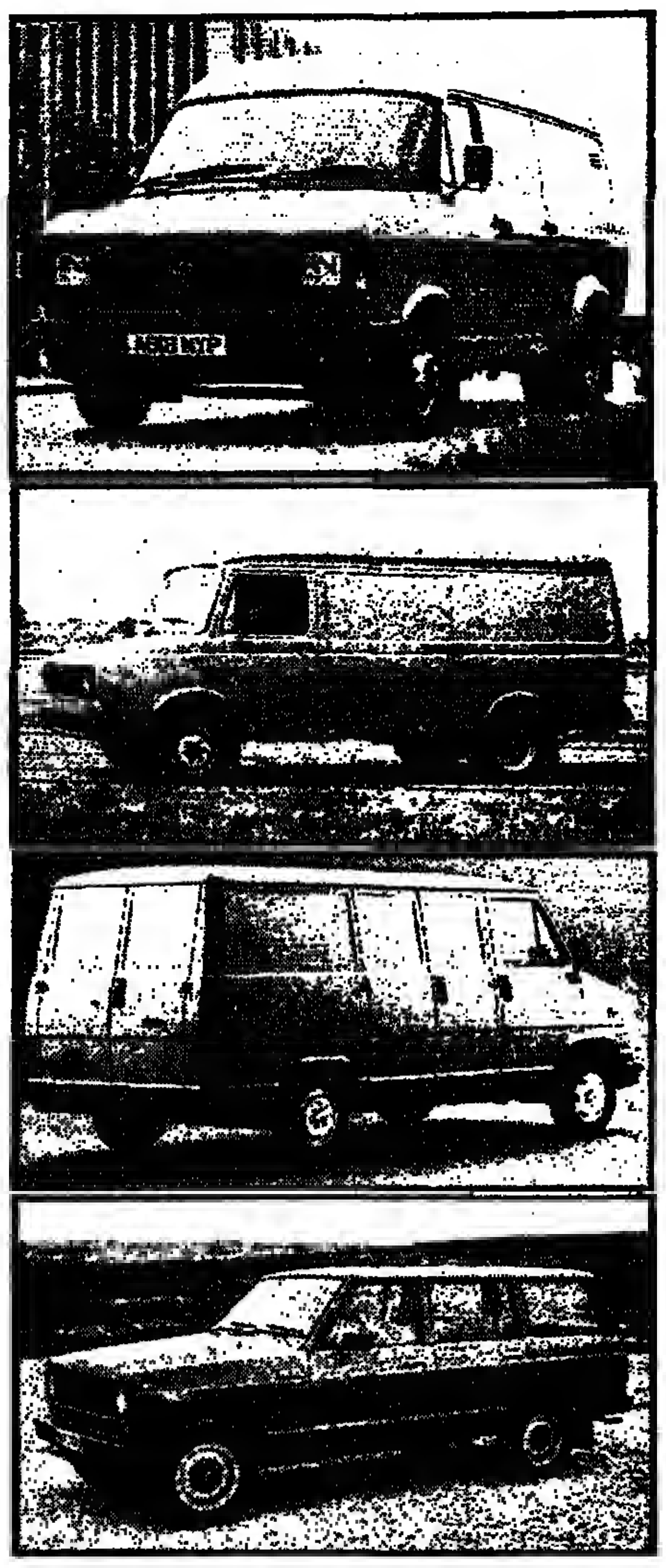
The Fiat 242 has also lost ground to the Daily, a van produced by Iveco, Fiat's industrial vehicles subsidiary. The Daily range of vans and light trucks has been successful from when it was introduced — its market share rose from 31.1 per cent in 1981 to 47.4 per cent in 1983, rising to 52 per cent in the period to May this year.

Again, the loser was Ford whose larger-capacity Transits, which in this case have twin wheels on each side at the rear, have seen their share go down to about 15 per cent.

What has been happening in Italy is that Fiat has responded to a gap in its product range by bringing out diesel vans just at the time when some of its competitors' products were beginning to look a little long in the tooth. In the case of the Ducato, an investment of about L250bn (8150m) is paying of handsomely.

Nevertheless, Fiat executives who predicted that the Italian van market this year would begin to recover have so far been proved wrong. It was down another 9 per cent in the first four months of this year, compared with rises in West Germany and Britain. The company now thinks that the upturn will come in the second half of the year, so that the outcome for the whole year will be about the same as in 1983.

Fiat has pushed up its share of the Italian market, but it still remains a relatively small van producer in the European context, with a total of 8.8 per cent of the market in 1983 compared with 7.8 per cent in 1981. Outside Italy, its market share averages 3.6 per cent, nowhere in donble figures, with Belgium, Austria and Switzerland its best markets.



Top: Ford's Transit and Leyland's Sherpa panel vans, which have both lost market share to Fiat's new Ducato (third down). Above: the Nissan Patrol, now beginning to be exported from Spain

Market facing setbacks despite Nissan start-up

Spain

DAVID WHITE

A NEW television campaign with a simple, potent message, "The Japanese," has rammed home the most important recent change in Spain's commercial vehicle industry—the entry of Nissan as controlling shareholder of the Barcelona manufacturer, Motor Iberica.

However, Nissan's arrival has worked no miracles on the overall trend in sales for the sector, which continues to be in decline.

Indeed, despite a successful start-up last year for the Nissan Patrol cross-country vehicle, now beginning to be exported, Motor Iberica has if anything been faring worse than its competitors in its other, pre-Nissan product lines.

Production of the Patrol, the first Japanese-design motor vehicle to be made by a Japanese-controlled company in Europe, has only just managed to stem the fall in output which Motor Iberica has been suffering since 1979. Total production there recovered to 29,900 vehicles last year from 28,900, with all other categories once again on the decline.

Hefty financial charges pushed 1983 Motor Iberica loses up to Pts 5.77bn (£27m), much higher than expected and almost twice 1982's. Nissan is now expected to carry almost all the burden of an operation to double the capital base from Pts 11bn to Pts 22bn, raising its stake, which started at 36 per cent (bought from Massey-Ferguson) in 1980, from about 70 to some 85 per cent.

The latest injection is roughly the same amount that it has already spent on buying into the company and subscribing to new shares.

Meanwhile, the shrinkage in sales of Spanish commercial vehicles has begun to affect sectors of the industry which had up to this year managed to escape the general gloomy trend.

The last remaining sector still buoyant in the first quarter—thanks to the Nissan Patrol—was four-wheel-drive vehicles, with domestic sales up 32 per cent and exports up 26 per cent. But its competitor Land Rover Santana, Spanish-controlled affiliate of the UK producer, has met a sharp setback on the home market, and March figures showed an overall drop of 21 per cent in Spanish sales, and 53 per cent in exports, compared with the same month last year.

Compensate

Van versions of saloon cars, which had also been doing relatively well, showed losses of 12 per cent in output, 12.5 per cent on the home market, and 18 per cent on export markets, in the first quarter.

Increased sales by Seat and Ford in this category failed to compensate for setbacks suffered by Renault and by Citroen, which dropped back into third place behind Seat.

The home market for saloon-derived vans is still, however, better than it was in 1977. This is far from the case for vans proper or for light lorries, where domestic sales are almost 60 per cent lower than they were then.

These sectors—as well as heavier road vehicles—are covered by three companies, Motor Iberica, Mercedes-Benz Espana (a subsidiary of Daimler-Benz, with Spanish state participation) and the state-owned Enasa, makers of Pegaso trucks and buses.

Domestic sales of vans by all three were down in the first quarter, with the total falling by 19 per cent, while exports, which concerned only the first two companies, plunged 37 per cent, against the same period last year. This compared with drops of 6 and 11 per cent, respectively, for the whole of 1983.

Van production, after falling 13 per cent last year, was 9 per cent up in the first quarter, an increase solely accounted for by Mercedes. The others cut back by close to 60 per cent.

In light lorries, domestic sales by Spanish producers after decreasing by 12 per cent last year, were 21 per cent down in the January-March period. This fall reflected a 30 per cent drop in sales of Motor Iberica's light Ebro trucks.

On the export market, light truck sales were almost 28 per cent below the level of the first quarter last year.

Although Enasa, number three producer in this sector, built up both output and sales, overall production in the quarter was 19 per cent down following an 8 per cent drop in 1983.

Interest in the light commercial vehicle sector will be focused on the success or otherwise of the Nissan Vanette, due to go into production at Motor Iberica by the end of the year, after considerable delay.

In the interim the Japanese group's small van has been redesigned for Spanish and European customers, made rather bigger, with a diesel engine.

Beyond this, Nissan is looking towards a future new range of vans at its Spanish operation, moving progressively towards all-Nissan technology, including motors, for Motor Iberica's products, with the sole exception of its farm tractors.

SPANISH PRODUCTION 1983

	Vans	% change	Light trucks	% change
Enasa	3,290	23.7	990	61.0
Mercedes	7,570	−27.7	1,585	− 8.3
Motor Iberica	8,225	− 6.4	6,420	−13.6
Total	19,090	−12.9	8,795	− 7.9

Source: Spanish Assocn. of Automobile, Truck, Tractor & Motor Manufacturers.

Market holds up despite pressures

France

PAUL BETTS

THE FRENCH market for vans and light commercial vehicles has held np far better than the domestic passenger car market to the general slump in French car sales. During the first five months of this year, passenger car registrations in France have taken a nosedive, declining 12.6 per cent to 765,400 registrations.

By contrast, new registrations of vans and light commercial vehicles nnder five tonnes have fallen at about half the passenger car rate by 6.3 per cent to 119,645 registrations for the first five months of the year compared with the same period last year.

The main explanation for this more respectable performance in a difficult economic environment is the more stable characteristics of the market for vans and special vehicles. According to a spokesman for Renanlt, the state-owned French car group: "The market base for these vehicles is more stable because a large number of customers are administrations or companies with fleets of vans and small trucks."

Budgets

He added that the owners of these fleets often had fixed budgets and in any case had, for their businesses, to renew their fleets. "It's not like the private individual who is far less likely to buy e new car nr replace his nld one at a time of an economic squeeze," the Renault official remarked.

Althongh the van market has clearly not escaped the economic slowdown in France, the car industry generally expects the sector to continue to perform adequetely in the coming months. "We do not expect any sudden great surge not any sudden great fall," said an official of Peugeot, the private French car group which embraces the Peugeot, Citroen and Talbot marques.

Renault's small commercial vehicles and vans sector has performed far better this year than the large passenger car operations .Van sales have declined 3.2 pe cent during the first five months of this year compared with the year ago period while domestic passenger car sales have plunged 20 per cent.

Moreover, while Renault has been losing domestic market share in the passenger market, it has advanced to 46.7 per cent from45.2 per cent in the domestic van market.

For its part; the Peugeot group has seen domestic sales fall by about 10 per cent so far this year and market share fall from 34.4 per cent to 33 per cent. Foreign makers have managed to maintain e steady share of the French market nf a little more than 20 per cent although sales this year have so far declined by 6.7 per cent.

In the French light truck market, Renault's under five tonne Traffic and Master range have continued to sell adeqnetely, especially in the case of the Master.

... The rivals of this light truck range at Peugeot are the vehicles produced jointly by the French private car gronp and Fiat of Italy at their joint venture of Val di Sangro in southern Italy. This venture has proved to be one of the few collaboration efforts between two European car prodncers tn have worked.

Peugeot markets the light truck from Val-di-Sangro under the name of G15 while its Citroen subsidiary calls it the C-25 and in the UK it is sold as the Talbot Express. In Italy, Fiat markets it under the name of Ducato.

A revealing aspect of how the marque of a vehicle can affect sales is the fact the Peugeot G-5 has seen its sales decline so far this year by 5.7 per cent while those of the virtually identical Citroen C-25 declined by 7.9 per cent during the same period.

Citroen, howeverd, is currently going through a difficult period with its attempts to reduce its workforce in France by 6,000 people including making 2,400 compulsory redundancies. The battle over the Citroen layoffs in the same way as the battle nver job cuts at Talbot earlier this year, has inevitably had a bad commercial impact on the Citroen marqne.

Peugeot is now expected to launch a commercial two-seater derivative of its highly popular and successful Peugeot 205 super-mini. This new car should do well judging from the commercial success of the Peugeot 205.

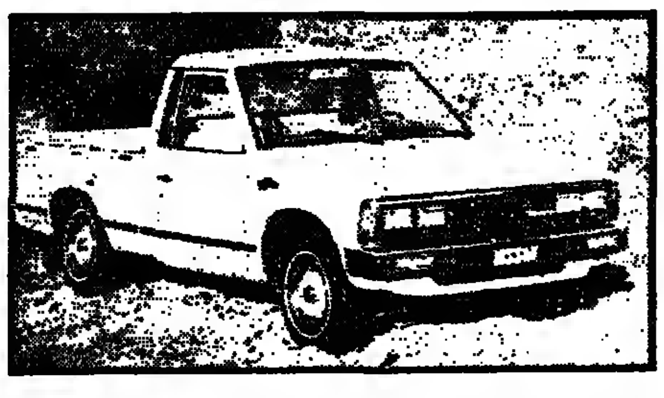
Niche

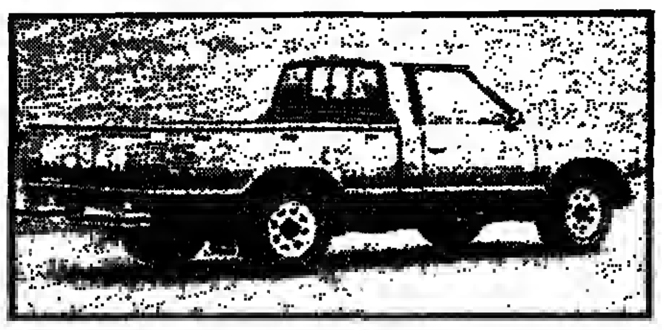
Both the Peugeot group and Renanlt have found a good market niche for commercial two-seater derivatives of their most popular passenger car models. The reason for the success of these derivatives is that they carry a reduced valne added tax rate of 17 per cent compared with 33.3 per cent for passenger cars in France. This VAT rate is clearly attraclive to small businesses and commercial travellers.

Bnt perhaps the biggest novelty of all in this sector of the French motor Industry was the launch last May of a van-type saloon car capable of seating np to seven people called the Espace. This original vehicle is the fruit of the association between Renault and Matra, the French state-controlled defence and electronics group. The Espace is the first European-made leisure van to be launched on the European market.

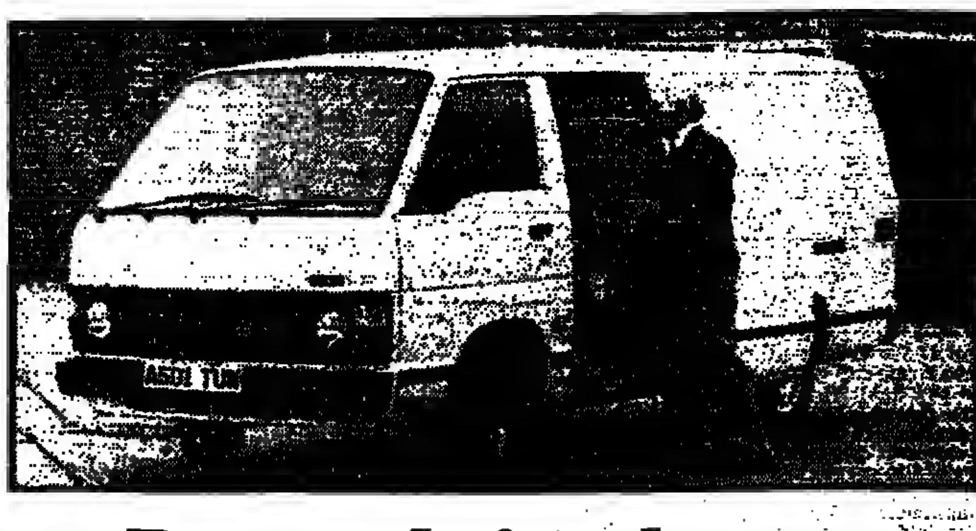
Sold as a Renault, the Espace is based on the American concept of leisure vans for touring in a vehicle which can, if desired, be transformed into a comfortable mobile sitting room complete with sofa, bar and other extras.

Renault and Matra believe there is a small specialised market for such vehicles in Europe, although the two groups also appear ot have an eye on the U.S. market where Renault owns 46 per cent of American Motors Corporation (AMC).





Nissan's standard one-tonne pick-up truck (above) and Sport Truck (below). Such pick-ups have pioneered an entirely new sector in Europe which European makers have made strides to supply. Right: the Toyota Hiace diesel, one of the most popular panel vans in the European market.



JAPAN'S IMPORTS AND EXPORTS

	Productinn	Exports	Imports
1979	3,397,000	1,424,000	213
1980	3,913,000	1,954,000	538
1981	4,103,000	2,018,000	783
1982	3,783,000	1,774,000	451
1983	3,904,000	1,822,000	337

Source: Japan Automobile Manufacturers Assoc.

One of the newest arrivals in the medium vans sector is Mazda's E2000 panel van, launched in the UK last month. Like Bedford's planned WFR van, due to go into production in theautumn, it has e one-tonne payload. It is being built at Mazda's Hofu plant. The side panels are pressed as a single item on one of the biggest presses used in the Japanese vehicle industry, and the seamless roof panel is also from a single pressing. Both innovations were made to reduce body assembly time.

Demand for larger vehicles revived

Japan

ROBERT COTTRELL

JAPANESE manufacturers are seeing e revival of domestic demend for larger trucks, while microvans now appear to be losing some of their popularity.

Microvans typically with engine capacities of up to 550 cc, enjoyed a popularity boom during the mid-1970s resulting from rising oil prices and an increasingly large proportion of women drivers in Japan. The small engines qualified for tax and insurance rates substantially below those of larger vehicles.

The microvan was originally ploeered in the 1950s by Daihatsu, which remains a leading producer. Daihetsu originally produced a 360 cc van tailored to the narrow, winding streets common to Japanese cities. Last year, the company produced 530,000 vehicles, two-thirds of which had engines of below 550 cc.

According to an anlysis of new truck registrations by loading capacity, produced by the Japan Automobile Manufacturers Association, midget truck registrations rose to 1.2m in 1983, from 1.154m in 1982 and 1.064m in 1981, the only sector of the truck market to show an unbroken year-on-year rise through thet period.

In the fourth quarter of 1983, however, sales of these mini-vehicles recorded a year-on-year decline of three per cent, the first such drop since 1977. Analysts say the main reason is that micro van owners are beginning now to trade-up to larger vehicles.

In an ettempt to hold on to their customers, mini-vehicle manufacturers including Suzuki and Fuji heavy Industries last year introduced one-litre hatchback and light van models.

Sales of larger trucks in Japan declined for the fourth consecutive year in 1983, but analysts say that the market is now experiencing a cyclical upturn. A factor limiting market growth may be the government's present fiscal austerity programme: past truck sales "booms" in 1978 and 1979 were helped by increased government spending on capital works.

However, the industrial private sector in Japan is performing strongly, while slack sales of trucks in recent years means an increasing number of older trucks now on the road and in need of replacement.

JAPANESE TRUCK EXPORTS BY DESTINATION

ASIA	654,785
of which, Sandi Arabia, 198,895	
EUROPE	228,715
of which, EEC, 15,955	
AMERICAS	650,490
of which, USA, 536,475	
AFRICA	139,280
of which, South Africa, 53,750	
OCEANA	146,440
of which, Australia, 115,930	

Source: Japan Automobile Manufacturers Association.

Domestic market share of truck manufacturers: new truck registrations by make, 1983:

Daihatsu	271,720
Fuji	210,370
Hino	32,925
Honda	159,875
Isuzu	110,820
Mitsubishi	288,965
Nissan Diesel	18,150
Nissan	264,200
Suzuki	371,940
Mazda	150,890
Toyota	346,540

Truck market share by capacity: new registrations, 1983, by loading capacity:

Midget	1,204,555
Small	910,530
3-4 ton	60,765
5-6 ton	1,715
7-8 ton	2,805
9 tons and over	34,530
Jeeps, tractors	11,585

Source: Japan Automobile Manufacturers Association.

Jepan's light truck producers are compensating for a slower domestic market by trying to boost sales and production of vehicles abroed. Last year saw Nissan begin making light trucks in Tennessee, in the U.S. Daihatsu in spring this year announced plans to start production of light trucks in Tianjin, China, in 1986—the first such venture into China by a Japanese vehicle producer.

The plant is likely to make a version of Daihatsu's HI-Z truck, which has a 450 kilogramme load capacity. China expects gradually to increase local production of parts for the HI-Z, with the eventual goal of fully domestic prodnction.

Vans and Light Trucks 5

Alternative form of propulsion for light commercial vehicles makes strides with . . .

Battery power: the shape of things to hum

Electric-powered vehicles

JOHN GRIFFITHS

TWO COMPARATIVELY ordinary-looking UK-built vans, a Bedford CF and Freight Rover Sherpa, set out to drive to Versailles late last month. They did not, however, sound ordinary: instead of the usual exhaust sound they emited only a subdued hum.

Ther precise destination was a symposium organised by the French section of the European Electric Road Vehicle Association. The vehicles, presence—compliments of recharging facilities laid on by the Southern Electricity Board and Electricité de France—was intended to demonstate that, after a number of false dawns, the age of the viable electric vehicle, capable of keeping up with other traffic had arived.

UK-based manufacturers appear able legitimately to claim that they are pioneering the commercial production of electric vehicles—on normal assembly lines used also to build the conventional petrol—and diesel-powered versions of the panel vans and light trucks to which "electrics" so far are confined.

Bedford, BL'a vans subsidiary Freight Rover, Dunstable-based Renault Trucks International (formerly Karrier Motors, formerly Dodge) and Leyland Vehicles are all producing such vehicles for salo.

The have in common electrics drive systems developed primarily by Lucas Chloride EV Systems, a joint company set up by Lucas and Chloride four years ago to design, develop and market such systems—and which claims to have an 18 months to two years lead on even the Japanese in the practical application of electric vehicle technology.

The experience of the first company into the field, Renault Trucks International, is that sales have fallen well short of expectations. Three years ago, when its electric Dodge 50 truck was first announced—with 6.6m tonnes gross vehicle weight and a two-tonne payload—the company said it expected to produce up to 20 a month. Since then, fewer than 60 have been built—and the customers have always been utilities or other public sector interests.

Against the more obvious benefits of the electric truck—quieteness of operation, low direct cost of electricity compared with petrol or diesel, longevity and freedom from road tax—are just as obvious disadvantages:

For a start, the electric Dodge 50, at £14,625i s almost twice as expensive as the equivalent Dodge 50 model powered by conventional means. Further, the electric's price is *after* what amounts to a subsidy to each purchaser from the Department of Trade and Industry of about £4,000 per vehicle.

The price includes the battery pack, however, which accounts for over a third of the total. And Bedford, for example, says batteries should be not be considered part of the purchase price at all, but as part of the fuel costs.

Charge

Whether this argument is accepted or not, the electric's biggest drawback for many potential users is its range—the Dodge 50 can travel about 55 miles on a single charge. That makes the vehicles suitable for, says urban delivery work on known routes—but provides no flexibility for longer journeys.

Thus the argument that the electric truck is competitive with conventional trucks on whole-lifa costs, through greater longevity, lower maintenance bills and other factors (including the subsidy), hitherto has not mada much headway in the private sector.

In January, however—and within a faw days of each other—both Bedford and Freight Rover launched alectric versions of their panel vans. And their experience to date suggests a rather brighter future for their electrics which could rub off on the heavier Dodge model.

Freight Rover expected to build and sell 100 electric Sherpa vans this year. The first 100 have already been sold, mainly to electricity boards and other public concerns but also, according to its managing director, Mr George Simpson: "There have been a handful to the private sector."

So Freight Rover now expects to build and sell 150 Sherpa electrics this year. "We are very encouraged says Mr Simpson, "particularly since we had not gone out to market heavily." He forecast that Freight Rover would produce 200 electric Sherpas next year with slow, steady growth thereafter; "but nothing spectacular without a major breakthrough in battery technology"—about which he is pessimistic, except in the very long term.

Bedford, with the most ambitious production plans for the electric version of its CF van, has sold virtually all of its first production batch of 175, and will start building 40 a month from October. "The level of interest has been a lot stronger than we anticipated," according to a spokesman for the company, which has now appointed a full-time electric vehicles sales manager.

Bedford, which like Freight Rover is producing tha electric model on exactly the same assembly *lines* as the cooventionally-powered models, is now confident that its first cautious forecasts about the electric vans will be exceeded.

At the launch of the CF electric van, which has e one-tonne payload, the company's marketing director, Mr Des Savage, said that by five years' time the UK market for such vans could be 4,000 a year, rising to 10,000 a year by the end of the 1990s.

Last year's total panel van sales in the UK, for comparison, were 16,000. Bedford's 1984 target is 300 sales but, like Freight Rover, it expects demand to comfortably exceed this.

The electric Bedford costs £9,750, complete with batteries and charge—again after the DTI subsidy. The diesel version of the CF costs £5,630; the petrol model £4,820.

But strip out the battery cost, says Bedford and the purchase price comes down to £5,485.

Assorted battery leasing schemes are being devised, reinforcing the Bedford view that they should be treated as a fuel cost.

Bedford'a calculations are that the electric can offer equal, or slightly lower, whole-life costs compared with a petrol or diesel van run for six years and 65,000-70,000 miles. Direct fuel costs, it points out, are under 2p a mile for the electricity used to charge the electric, against 8-10p per mile for the petrol or diesel models.

The one thing that could swing the market sharply in the electric's favour is, of course, another oil crisis, of which the Iran-Iraq confrontation and the threats to close the Strait of Hormuz have provided an unpleasant reminder.

In the absence of such a development, however, other manufacturers such as Volkswagen are sceptical about the potential of the electric.

Dr Ulrich Sieffert, head of Volkswagen's research, suggests that if ther is any kind of future for the electric it will probably lie with the "hybrid" in which a small international combustion engine is used in conjunction with the electric drive systems to constantly re-charge the batteries and/or to provide extra power for manoeuvres such as overtaking.

Not unnaturally, the users who are most complimentary about the electrics are the electricity boards themselves, who have the greatest number of them—and have a vested interest in terms of selling the "fuel."

For example, Southern Electricity has a fleet of over 70, which cover nearly 500,000 miles a year. It has been evaluating electrics since 1977 and says its experience is that direct fuel costs are cut by 60 per cent; maintenance and repairs by 25 per cent; life expectancy of vehicles is raised by 35-40 per cent and the utilisation is at least as good as conventional vehicles.

Other bonuses it lists are exemption from road tax, the MoT test and operator's licence, less fatigue among drivers and fewer accidents thanks to the absence of vibration.

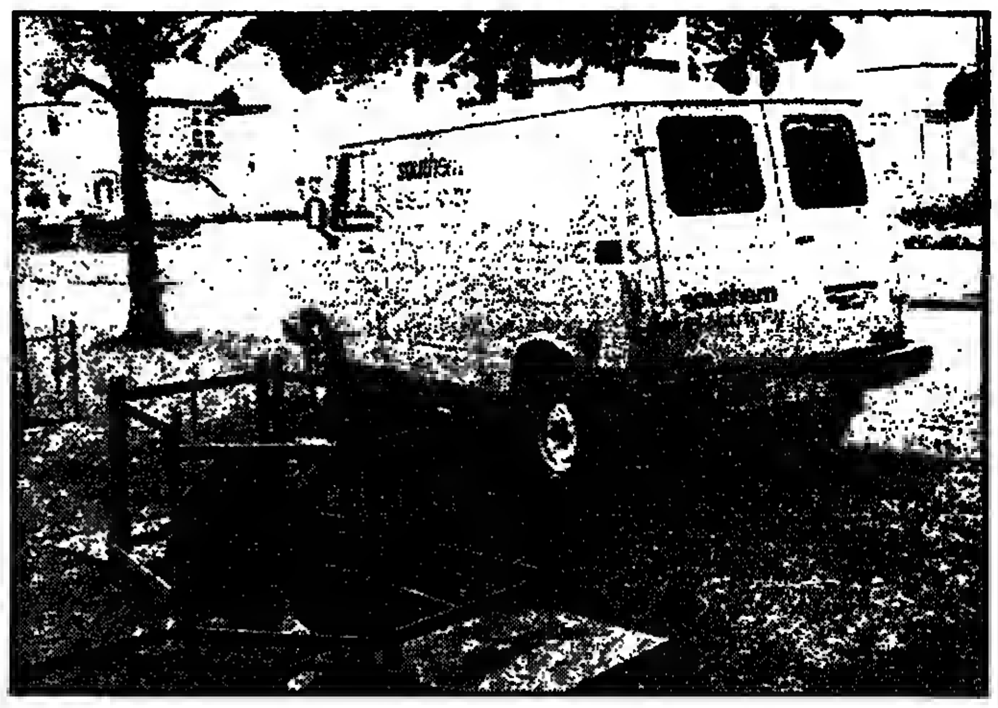
Any attractions the electrics currently posses in the UK would be immediately thrown out of the window, however, if the DTI were to suddenly withdraw its £4,000 per unit subsidy.

There is little prospect of that happening as the DTI is keen to encourage the UK manufacturers in an area in which they appear to have a lead.

But it is a "market entry" subsidy, and it will gradually decrease in size if sales and production take the steady upward path predicted. Thus, if the current climb continues on course towards Mr Savage's first production of a 4,000 market by 1989, the need for the subsidy should disappear by 1987 at the latest.

None of the manufacturers have seriously considered exports. But an encouraging note for Bedford is that, after its General Motors parent's failure to bring a planned electric car into volume production in the U.S. this year, the electric CF—which is on trials in the U.S.—appears to have become the "showcase" for GM's electric vehicle technology.

The CF's battery pack is located in a pannier under the van's floor which leaves the load space clear.



ABOVE: The Bedford CF electric van has a payload of 1 tonne and a range of 50-60 miles in typical urban conditions at a top speed of 50 mph. The production model was launched in January 1984 and over 175 vehicles have been built so far. BELOW: The Freight Rover Electric Sherpa, which also went into production last January, has a similar capacity and performance to Bedford's CF

Market grows for improved 7.5 tonners

Medium-sized trucks

KENNETH GOODING

THE MOST important new entry into the medium truck arena for some time emerged from Daimler-Benz in March this year when the Mercedes group launched a range from 6.5 tonnes to 11 tonnes gross weight.

The company has invested more than DM 280m (£74m) in the new range which will replace the Mercedes LP trucks.

Last year 20,000 LP vehicles were produced at Daimler-Benz's Woerth plant about 20 per cent of its total output. Prof Werner Breitschwerdt, D-B chairman, predicted that 25,000 of the new medium trucks will be produced each year when output reaches full capacity.

Expensive

Sales will be confined mainly to industrialised Western European countries because the newcomers are bound to prove too up-market and expensive for other territories.

Daimler-Benz's British subsidiary launched two of the seven versions of the new range early this month, one at 7.5 tonnes and one at 11 tonnes.

These are called the Mercedes 809 and 814 and they will be competing for a hotly-contested UK market sector which in 1983 reached 11,470 registrations.

Mercedes' LP809 and LP813 models, now to be discontinued, held a 7.4 per cent market share last year. Mr Hans Tauscher, managing director of Mercedes-Benz (UK) forecasts that the new trucks will rapidly lift his company's penetration to 10 per cent.

Daimler-Benz has managed to launch its new light trucks in Britain ahead of the key product in Leyland Trucks' recovery programme — code-named MT 211.

According to Mr Ron Hancock, chairman of Leyland Vehicles, the MT 211 is "as important to Leyland as the Metro was to Austin Rover."

MT 211 is a replacement for the 13-year-old Terrier which operates in the biggest part of the truck market in Britain—in volume terms. It represents about 30 per cent of truck sales.

The new models have gone into production at the Leyland, Lancs., plant for launch in the autumn so they will not have any profound impact on Leyland's position until 1985 at the earliest.

The old Terrier has been accounting for well over 10 per cent of its market segment and Leyland would be very disappointed if MT 211 did not do twice as well at the very least.

Leyland has spent about £200m to replace completely its truck ranges both for Europe and for developing markets.

The Ford Cargo, which will compete against Leyland's new MT 211. The Cargo range starts at 6 tonnes and is the result of a £125m investment, mainly at the Langley, Berks, plant in the UK.

The European range, using the C40 cab, started at the low-volume end with the top-weight Roadtrain. Many C40 components are used for the MT 211 which completes Leyland's "trucks for Europe" line-up.

Apart from the new Mercedes, the MT 211 faces competition from Ford's Cargo. Ford launched its Cargo range of trucks fom 6 tonnes to 28.5 tonnes in 1981 following a £125m investment, mainly at the Langley, Berkshire, plant in the UK.

Daimler-Benz has decided to introduce its new range at the 7.5 tonnes level because in Britain the light truck market has tended to polarise at that weight and at 3.5 tonnes. At 3.5 tonnes an operators' licence is needed and at 7.5 tonnes a truck can be driven legally only by someone bolding an HGV (heavy goods vehicle) licence.

An additional incentive for operators to keep below 3.5 tonnes is that tachographs must be fitted above that weight.

Consequently, the UK market for trucks between 3.5 tonnes and 7.5 tonnes has steadily declined. Unit sales in 1981 were 7,265, in 1982 they fell to 6,620 and last year were down again at 6,275.

At the 7.5 tonne point, however, registrations have moved up from 9,035 in 1981 to 9,990 in 1982 and 11,335 last year.

Ford expects that the 3.5-7.5 tonnes sector, which once accounted for 16 per cent of total registrations over 3.5 tonnes, will decline to 8 or 9 per cent. For this reason Ford did not replace the A-series after that range of trucks went out of production a year ago.

The ten-year-old A series, assembled at Langley, would have needed too much money to be spent to bring it up to date in view of the low volumes involved. In the last full year, 1982, Ford produced only 580 A-series vehicles for Britain and 682 for export to West Germany, France and Italy.

Leyland also dropped out of the sector in 1981 when it ended production of the 20-year-old FG trucks. In the last year of production Leyland sold only 644 FGs.

Elimination of these main competitors has helped the Dodge 50, produced by Renault Truck Industries (formerly Karrier Motors) and which has been selling steadily at about 2,500 a year for the past three years. The Dodge 50 meets with regular demand from local authorities for special applications.

Weight range

Last year the market shares of the various producers in the 3.5 to 7.5 tonnes sector (for two-axle rigid vehicles) were as follows: Ford had 35.8 per cent (of total 17,610 registrations) up from 35.8 per cent (of 16,605), Dodge had 15.9 per cent (16.4 per cent), Bedford 13.4 per cent (14.8 per cent), Mercedes 13.3 per cent (11.6 per cent), and Leyland 8.8 per cent (10.4 per cent).

In its European Trucks forecast report, DRI Europe covers a wider weight range, from 3.5 tonnes to 14.9 tonnes. Registrations in the UK last year in this sector were 24,630, while in West Germany they reached 36,745, in France were 36,375, and in Italy 12,588.

WESTERN EUROPE (15 COUNTRIES): REGISTRATIONS OF MEDIUM COMMERCIAL VEHICLES (VANS AND PICK-UPS)

	1979	1980	1981	1982	1983
Total sales ('000) ...	638.5	664.8	643.9	638.0	647.3
			Market sales %		
Japanese	8.2	11.8	16.7	16.5	18.5
VW	18.9	20.2	19.5	17.2	16.5
Ford	18.0	18.5	14.8	16.0	14.4
Peugeot Group	12.2	11.1	9.1	10.3	9.9
Fiat	7.6	6.4	5.8	8.9	8.9
Mercedes	9.9	8.8	9.1	9.1	8.9
Renault Group	3.5	3.2	8.5	8.6	8.6
BL	4.9	4.3	3.7	3.6	4.1
General Motors	7.5	6.8	6.2	4.6	4.9
Motor Iberica	2.1	1.9	1.7	1.5	1.8
Lada Niva	2.0	1.4	0.9	1.1	1.4
Land Rover SNTA ...	1.7	1.7	1.3	1.3	1.1

Industry sources

Boost for Ford's van output

Diesels

KENNETH GOODING

SINCE THE beginning of this year Ford of Europe has revealed how devoted it has become to the idea that diesel engines will provide the power for the majority of light commercial vehicles in the future.

First came the launch of cars with Ford's new 1.6 litre diesel which is built at Dagenham in the UK and has been brought into production at the cost of $196m.

The planned output of 150,000 a year will go mainly into Fiesta, Orion and Escort cars. But in some countries the diesel will give a considerable boost to saleso f Ford's car-derived vans.

In Britain, for example, Ford believes that the new engine will do best as a power unit for the Escort van. Indede, when General Motors introduced its 1.6 litre diesel to the Astra van range, it raced quickly up to 45 per cent of total sales.

Ford also this year has unveiled its 2.5 litre direct-injection diesel which the company says cost $158m to bring to market.

Ford reckons that the direct-injection system gives the diesel a "best in class" performance and that the power unit will do the world of good for Transit van sales around Europe.

The Transit has been showing remarkable resilience in spite of being 18 years old while most of the competition has been no more than three years on the road—including the Volkswagen Transporter, Renault Trafic, Fiat Ducato, Peugeot J5, Citroen C25, Talbot Express and the Toyota Hiace.

Mr Bob Currier, until his recent retirement Ford of Europe vice-president sales and marketing staff, said at the time of the car diesel launch: "The diesel market will be wriven by new entrants, more products. And it will grow as customers become more used to the modern diesel and learn that the newcomers are not noisy, smoky, smelly and slow to start."

And, as for the van sector, Mr Neil O'Sullivan, director of truck marketing, Ford of Europe, reckons that it will be the fastest-growing in Europe's commercial vehicle market rising from 647,000 vehicles last year at least 710,000 in 1990 —and possibly to 750,000.

The diesel content of the total is forecast by Ford to increase from the current 55 per cent to 85 per cent with every market bar the UK and West Germany switching almost entirely to diesel power.

As for the two exceptions, Ford can see the diesel content of medium commercial vehicle sales in West Germany moving up from the current 45 per cent to 70 per cent by 1990 while in the UK diesels will capture 48 per cent by that year, up from only 16 per cent.

Independent analysts seem to agree with the Ford predictions.

For example, Automotive Industry Data, in a recent report on prospects for the European light commercial vehicle industry, commented: "The demand for diesel vans is a spiral affected first by fuel prices, then by manufacturing improvements, more fuel crises and yet more improvements.

"The response by the majority of manufacturers has been such that the current rate of changes in the market place can only be expected to continue. New models are emerging and improvements being made to existing models that all lead to confirm the trend.

"In short, the market is no longer demand-driven but growth is now encouraged by the changes being wrought by the manufacturers themselves."

In the major European markets (Belgium, France, West Germany, Italy, the Netherlands, Spain and the UK) between 1974 and 1981 dieselisation of light commercial vehicles grew at 14 per cent a year and the percentage of diesel registrations rose from 27 per cent to 55 per cent (or 248,990 out of the total volume of 462,225).

The Aid report suggests that by 1986 the total number of diesels among the 464,000 light commercials which probably will be hold in those markets, 366,800 will be diesel powered — 79 per cent.

To the Volkswagen group must go the credit for the diesel revolution in this part of the commercial vehicle market.

VW was the first manufacturer to introduce a diesel engine dreived from a petrol unit. The diesel was used to power the VW Golf.

But the dramatic improvements VW had engineered into diesel cars was quickly transferred to its light commercials. In effect, VW showed other manufacturers that it would be possible to keep down the cost of new diesel engines by employing many components common to petrol units.

As the Aid report points out: "The upsurge in diesel engine production for cars had a knock-on effect and the benefits were passed on to the commercial vehicle side of the industry, particularly the light cv sector where petrol engine fitment exceeded that of diesel engines.

"Almost immediately (except for the UK) diesel-powered vehicle registrations began to increase and accelerate throughout the developed markets."

The UK has consistently lagged behind other European markets in the adoption of diesel engines (for cars as well as for light commercials) because one of the major motivating factors has been absent in Britain—a big differential in the price of petrol and diesel fuel favouring the latter.

Another factor has been the unique-to-Britian legislation under which a vehicle above 2.55 tonnes gross weight becomes subject to an annual commercial vehicle test. Lighter vehicles require only the same test as a car—beginning after three years.

That rule has encouraged operators to opt for the lighter vehicles. But these were predominantly petrol-powered. And when diesels became more attractive the only engines available were heavy enough to take the gross weight of the vehicle over the crucial 2.55 tonnes limit.

The advent of new, lighter diesels and a legislative climate increasingly likely to favour diesel fuel should help overcome the obstacles in Britain.

The UK Gvornment will have no reason to maintain its traditional "neutral" stance in the taxation of diesel and petrol once BL gets its own small diesel and can meet the competition from the Continent.

BL has been working with Perkins, the specialist diesel engine company, to produce an engine to fit its medium car range. Like the new Ford 2.5-litre unit, the BL-Perkins diesel will employ direct injection and subsequently should offer impressive fuel economy figures.

Manufacturers are also well aware that operators will only pay the price premium required to cover the extra cost of building diesel engines (particularly those with direct injection) if they can be sure of a pay-back.

For example, Ford's Mr O'Sullivan pointed out that his company's direct-injection unit would be priced only slightly up from the old Ford York diesel. "We want operators to be able to see quite clearly they can cover the extra cost in about six months."

LIGHT COMMERCIALS (2-3.5 TONNES) SALES

	1980 petrol	1980 diesel	1981 petrol	1981 diesel	1982 petrol	1982 diesel	1983 petrol	1983 diesel
Belgium	8,193	7,247	7,229	8,172	5,177	8,704	5,636	8,919
% of registrations	53	47	47	53	37	63	36	64
France	43,254	68,261	43,588	75,366	40,390	82,664	39,569	70,852
% of registrations	41	59	37	63	33	67	36	64
Italy	14,038	58,665	8,570	64,494	8,887	66,525	2,881	59,329
% of registrations	19	81	12	88	12	88	4	96
Netherlands	12,984	9,367	9,770	9,992	7,763	10,257	6,470	10,890
% of registrations	58	42	49	51	43	57	27	63
UK	89,134	16,522	68,361	12,821	74,658	17,919	81,641	20,588
% of registrations	84	16	84	16	81	19	80	20
West Germany	92,271	29,136	65,763	53,363	42,966	61,168	54,345	62,766
% of registrations	76	24	55	45	41	59	46	54

Source: Automotive Industry Data.

هكذا من الأصل

Ford's Concept Cargo truck incorporates many of the expected technological advances which should reduce fuel consumption by 20 per cent or so compared with existing rigid trucks. (The Cargo range itself is being extended downwards into the 6.5 tonne gross vehicle weight sector). *One of the notable features of the concept vehicle are the "bridges" between truck, cab and body, and front and rear wheels* aimed at reducing aerodynamic drag

Operating efficiency a vital factor

Design

JOHN GRIFFITHS

Wind tunnel test at Mercedes-Benz. Advanced design keeps the side windows cleaner, lowers wind noise and has improved drag coefficient value.

ADVANCES IN vehicle eerodynamics, engine efficiency and electronics feaurte very prominently in the promotional activities of the car producers. Yet many of the advances related directly to increased operating economy seem to be of diminishing concern to car buyers. In the current climate of recovery from recession, many appera more concerned with performance and increasingly high levels of interior trim.

This is in stark contrast to buyers of commercial vehicles who see the sole purpose of a van or light truck as performing its function at minimum cost.

Hence a new, slope-fonted van which has a 10 per cent lower aerodynamic drag factor than a rival, producing a 6 per cent fuel consumption improvement at e constant 70 mph, is of more than passing interest to, say, a company involved in distribution with a fleet of high-mileage vans making extensive use of the motorway or autobahn networks.

Clever packaging by e manufacturer of a van's engine and drive train to intrude minimally on the driver's compartment and propel the front, rather than rear, wheels — hus disposing of the bulky transmission tunnel and lowering the load floor —is of considerable significance to the busines whose goods have more bulk than weight.

And the company whose concern is, say, with low-bulk, higher weight goods is going to be keenly interested in vehicle weight-saving developments such as increased use of plastics which can increase payload — particularly if, as in the UK, they allow it economically to use vans with gross weights below 3.5 tons. Above this weight an operator's licence becomes a requirement.

The continuing growth of service industries within Europea neconomies has endangered an increasing concern among van and light truck nperators with the ability to carry bulk rather than payload.

Renault observing the decline in the movement of engineering and heavy manufactured goods at the end of the 1970s, was one of the first to lathc on to this trend. The result was the Trafic, and larger Master vans, offering — for the first time from any manufacturer — the options of front- or rear-wheel drive. These have stood the company in good stead since the launch of the range in 1982.

The front-wheel drive variants, particulary, providing maximum "cub," have helped push up Renault's UK market share, for example, from 6 per cent to 9 per cent in the last 12 months.

Bodywork

This same concern with "cube" explains why Ford this year has moved to offer extended wheelbase chassis cab versions of its Transit van. While the Transit's gross vehicle weight remains at the 3.5 tonnes operator's licence threshold, the 18 inchest extra length is aimed primarily et allowing the fitting nf increased bulk-carrying bodywork.

The same concern was evident in the anxiety of Freight Rover, BL's vans subsidiary, to bring its 3.5 tonne version of the Sherpa van to market (previously, Sherpas had maximum weights of 2.5 tonnes). With the bigger MT210, says Freight Rover's managing director, Mr George Simpson: "We can now consider making a real push into the Continent."

The trend to bigger vehicles, he points out, "is quite simply because the economies are better." Indeed, he does not rule out the possibility of introducing larger-sized Sherpas, say 4.5 to 5 tons, to take on the very large vans produced mainly by Daimler-Benz and Iveco which benefit from the greater preoccupation with bulk carriage.

At the lower end of the van market, those derived from cars, advances in aerodynamics, suspensions and other areas have been won very cheaply, as costs are spread over car production as well. But there have been disadvantages: the sharply raked backs of smaller hatchback models on which vans have been based, for example, are hardly the most efficient in carrying capacity terms.

This is not so much the case on larger models, such as the Bedford "Astra" vans, where estate car versions lend themselves more readily to functional van designs.

Carrying space

But the increasing flexibility of manufacturing systems indicates that the process could be taken further, still at relatively low cost, by the provision of complately purpose-built bodies on the "base" car's platform, specifically desinged to give maximum carrying space.

Fiat's Fiorino van — basically a square box mounte daft of the front seats of the Italian group's 127 car model — provided a rare example of the concept. But at least on other major manufacturer is considering taking a similar route with larger models.

One of the more intriguing developments is Bedford's apparent intention to proceed with production of a "micro-van" based on a model produced by Suzuki. These are mini panel vans, and in Suzuki's case powered by an 800 cc engine. While payload is relatively low, about 240 kg, the no-compromise box shape does maximise the volne of goods that can be carried.

Additionally, fuel economy is very high compared with tha conventional car-derived van. In Japan, where the "micro" originiated and where typical engine sizes are 500 cc, fuel consumption of more than 100 mpg is claimed.

Production of such vans jumped in Jepan from 50,000 units in 197 7to about ½m last year. They began to appear in European markets a few years ago, but increasing import restraints led to the Japanese reducing shipments in favour of larger van with higher value per unit.

Bedford's decision to build them for sale throughout Europe could, it is suggested, lead to the demise of the small car-derived vans of the Ford Fiesta and Austin Metro type. Certainly, there is to be na Bedford van version of the Spanish-built Vauxhall Nova/Opel Corsa — on the basis that the microvan will pre-empt demand for it.

Austin Rover, however, refuses to confirm or deny that it, too, is considering such a venture with cars partner Honda, which produces its own microvan, the Acty.

Meanwhile, the industry is scanning the horizon for the first clues as to what design shape the successor to Europe's best-selling light commercial, Ford's Transit, will take, and the technical innovations which will accompany it.

The vehicle, code-named Triton, should go into production late next year, the 20th anniversary of the Transit.

There is much industry talk of extensive use of weight-saving plastics, inclnding the possibility of e smooth plastie undertary in pursuit of improved aerodynamics.

Certainly, Triton will incorporate whet Ford has already unveiled this year as a "world first" — a high speed direct injected diesel engine which since Jannery has been produced at Dagenham for installation in the Transit.

The direct injection unit has obvious benefits: it is more fuel-efficient han conventional indirect injection diesels by almost the same amount as the diesel is more economical than the petrol engina — at least 15 per cent. It also starts more *easily, and is less polluting.*

The principle is common enough on large, slow-revving truck engines — but to successfully build a unit capable of revving to 4,000 rpm or more has hitherto eluded all manufecturers. The 2.5 litre unit, says Ford, allows Transit operators to realise fuel savings of up to 24 per cent on one tonne payload, short wheelbase Transits, end up to 20 per cent on heavier models compared with the York indirect injection diesel previously fitted.

Other advanteges claimed are a 50 per cent increase in engine life, to 160,000 kilometres, before a major overhaul is needed. Routine service costs ere said to have been reduced by 30 per cent.

Ford should not be alone in the direct injection market for long. Austin Rover and Perkins plan to jointly produce a direct injection version of the "O" series car engine early next year, likely to see service in Austin Rover cars and vans, including the planned Maestro-based van.

Cost-effective

Many of the technological advances being made, particularly in terms of automatic transmissions and electronics, are cost-effective for the industry as a whole because they can be epplied equally to cars and commercials without heavy separate development costs.

For example, multiplex wiring, used as part of computer systems controlling not just basic functions such as lights, wipers and signalling—but engine and drive train management, will appear in the next two to three years.

From this point of view of the commercial vehicle, multiplexing is particularly significant for the weight-saving and simplicity offered. The transmission of commands is via a two-way "bus" line, dispensing with the heavy, complex mass of the conventional wiring loom.

Plastic body panels, with internal reinforcing rather than the space consuming reinforcing struts on metal panels, are also likely to appear.

Meanwhile, GKN has unvelled plastie composite suspension springs, weighing up to 50 per cent less than metal ones. Other stress bearing but light plastic components are inevitable.

And the knock-on effect of them will be that, as the vehicle becomes lighter withont shrinking in size, it can if, required, use smaller and lighter engines to propel it. Taken together, these developments should see the advent of vens by the end of the decade which ar significantly more fuel-efficient even than the latest models on the road today.

Styling success leads the way

Driver appeal

ALAN BUNTING

TO DRIVE vehicles with an all-up weight of 7.5 tonnes or less, no special qualifications are demanded in Britain, other than holding an ordinary car driving licence.

This legislation has concentrated sales of truck chassis at the "non-HGV" threshold weight; 7.5-tonners far outsell any other single category of "full-size" truck. Last year 11,470 units were registered in the UK.

Not surprisingly, the market is hotly contested, by Ford, Bedford, Leyland and Dodge models built in Britain and by imported chassis from Mercedes-Benz, Fiat-Iveco, MAN-VW and Ebro (from Spain).

Driver appeal, at 7.5 tonnes gross, takes on more cosmetic connotations than it does at 38, 32 or even 16 tonnes. Unfortunately, truck manufacturers have generally paid less attention to drivers' comfort and convenience in their lighter models than in their heavies.

By and large 7.5-tonners display higher in-cab noise levels than their heavier-duty stablemates. The standard of ride is usually poorer, both laden and empty. Cab fittings and quality of finish are generally poorer in the non-HGV trucks. Power steering is more likely to figure as an extra-cost option than a standard fitting—though, to be fair, at higher gross weights it is indispensible.

Many non-HGV drivers are employed in a dual capacity. Where 7.5-tonners are making multi-drop deliveries of bread, or groceries or frozen-foods to High Street retailers, the man in the cab is likely to be classed as a driver-salesman.

His selling talents in persuading the grocery shop manager to take an extra case of tinned fruit or breakfast cereal, in preference to a rival supplier's, may well count for more than his driving prowess. Burned-out clutches and poor fuel economy caused by ruthless or careless driving will be overlooked if the volume of sales is rising steadily.

On the other hand the driver-salesman himself, however meagre his driving skills, might be wooed to change his job if the prospect arises of being able to "get his hands" on what he sees as a more glamorous or prestige "motor."

Other 7.5-tonners are driven by building site foremen, for instance, whose managerial qualities far outweigh their driving abilities, but who nevertheless wield influence on their employers when it comes to choice of replacement chassis.

Discount

How are the current 7.5 tonne gross contenders perceived by British drivers? Last year the sector market leader was Ford, whose Cargo 0809, 0811 and 0813 chassis captured 47 per cent of UK registrations.

Leaving aside the effect of limited-period discount campaigns, Ford's success at 7.5 tonnes can be attributed in no small measure to the driver appeal of the Cargo and its cab specification in particular.

Compared with the former D-series which it superseded three years ago, the Cargo range is more modern in every way. The cab is more spacious; it offers a lot more headroom and the layout of controls and instruments has been influenced by ergonomic considerations.

Window area is vastly increased over the D-series cab, which, from the driver's seat, now seems positively claustrophobic. Established Ford rivals such as the Leyland Terrier and Dodge Commando G08 have also been made to look dated in drivers' eyes by the sharply-styled Cargo.

Both the Terrier and Commando have been given cab face-lifts over the last three or four years. But dimensionally they remain unchanged from their introduction, the Dodge cab dating back to 1973 while the Leyland G-cab — with its BMC ancestry—first saw the light of day in 1964.

It is now an open secret that the Terrier (built at the now-doomed Bathgate plant in Scotland) is due to be replaced shortly by a new range of Leylands engineered around the 7.5 tonne non-HGV threshold weight. Code-named MT211, the newcomers are to be produced at Leyland's main truck plant in Lancashire and will put heavy emphasis on their attraction to drivers.

A further derivation of the C40 cab, already used on all heavier Leylands, will put the MT211 in strong contention with the Ford Cargo, in terms of interior space and layout. Mechanically, the Terrier replacement is also designed to pamper drivers, with power-steering as standard for example.

Dodge, under its French Renault parent company, appears content to continue with the Commando range at 7.5 tonnes for the foreseeable future. The specification is relatively spartan, judged against more modern competitors. Less work has been done to subdue engine noise in the cab and to eliminate those cab details betraying 1960s thinking on vehicle refinement.

To put the Commando in its market perspective however, it is now probably the lowest-priced 7.5-tonner, when discounts are taken into account, with the possible exception of Dodge's own semi-bonneted 50-series 7.5-tonner, which is aimed at a specialist low-mileage, low-cost market.

When the Commando G08 is eventually replaced, the new 7.5-tonner will almost certainly have its engineering origins in Blainville, the big Normandy plant where Renault produces its middleweight trucks.

General Motors' UK Bedford truck subsidiary, now managed as an autonomous business, separated from Vauxhall Cars, came second in the 1983 league table of 7.5-tonner registrations, with 18.4 per cent. The Bedford TK, which dated back almost unbelievably to 1960, has just been withdrawn from production as a low-cost alternative to the main-seller, the TL introduced in 1980.

Dated

Evolved from the basic design, the TL cab is higher, giving more headroom, and with a correspondingly deeper screen, eliminating the "beetle-browed" effect complained of by tall TK drivers.

In other respects the TL remains dated. Suspension and steering have a 1960s rather than a 1980s feel; layout of controls, fore-and-aft seat adjustment and seating position in relation to the steering wheel do not compare with Bedford's prime competition and the cab interior is short on refinement by to-day's standards.

But like the *Dodge* Commando, the TL meets a uniquely British requirement for relatively unsophisticated trucks in the 7.5-tonne gross category which are inexpensive and simple to maintain. The Bedford is also more rugged and of course better-proven than its mainline Ford Cargo rivals, with far less vulnerable "cosmetic" trim, thereby promising greater durability.

Foreign competition at 7.5 tonnes has till now been muted, although a surge of marketing effort last year by Mercedes-Benz won a 7.4 per cent share for its long-in-the-tooth LP809/813 models in the UK registrations table. A sizeable proportion of German and Italian 7.5-tonners are sold to owner-drivers who, like private car buyers, want to be different or to specify what they see as higher premium vehicles.

Fiat-Iveco's Z-range 7.5-tonners from Italy are popular with many small to medium-sized companies attracted by the vehicles' "big truck" configuration and the unique availability of an integral van version in two different wheel-bases.

From MAN-VW comes the MT-range of German middle-weights, which are well-engineered and mechanically sophisticated. The 8.90 and 8.136 chassis share the familiar cab of the Volkswagen LT models which go down to 3 tonnes gross. As such, the cab is more compact than that of any other non-HGV chassis except *the Dodge 50-series. Interior* space is limited and some of the fittings seem inappropriately skimpy for an otherwise very refined 7.5-tonner.

Potentially the most significant 7.5 tonne introduction since the Ford Cargo's in 1981 is that of the all-new eMrcedes-eBnz 809 and 814 models, announced officially in Britain last week. The new eMrcedes models represent a quantum leap forward in ergonomics, driver comfort and, that over-worked term, refinement. The steering, roadholding and general road behaviour of the Mercedes 7.5-tonners come closer to private car standards than any previous commercial vehicle grossing more than 3.5 tonnes.

Undoubtedly the lateset eMrcedes trucks will create a benchmark for other manufacturers seeking to expand their 7.5-tonner sales by appealing to the person behind the wheel, especially where he is also the one who signs the cheque.

Wide variations in demand in major markets

Car-derived vans

JOHN GRIFFITHS

LIGHT VANS, derived from cars, have been most resistant of all rommercial vehicle sectors to "Europeanisation"—the development by manufacturers of vehicles acceptable throughout the region.

More than anything, this reflects the widely varying levels of demand in the major markets.

There is a huge demand for car-derived vans in France, for example, where last year's 165,000 sales represented about 40 per cent of the West European total. The UK, with 89,600 sales in 1983—still depressed given the 1979 peak of 98,000—is the second largest market and the vehicles are fairly popular too, in Italy.

But hitherto, West Germans have virtually ignored the sector, preferring instead the purpose-built, larger vans from Volkwagen and Daimler-Benz. The Benelux countries too, have largely ignored the light van.

Manufacturers have not been too worried about "Europeanising" the product because to some extent the economies of scale they have sought in making other "Euro" commercials already exist: they are provided by the cars on whose components the light vans are based.

So, in a sense, the car-derived van is a bonus, and a very convenient one. Built on the same lines as the cars, it can be used to fill out capacity when new car demand is weak; and the tap is easily turned off in car sales boom periods.

The myriad small farmers who make up most of the agricultural sector account primarily for the high level of light van sales in France. The vast majority sold are Renault's venerable, and cheap, R4 which dates from the mid-1960s.

For a long time the French industry lacked a competitive, purpose-built van. And it was suggested that when one appeared, there would be a general move away from light vans. Both Renault, with its Trafic and heavier Master models, and Peugeot with its J5 produced jointly with Fiat, now have such models. But so far there is no sign of a major switch.

Admittedly last year's light van sales were well down on the peak of 182,000 in 1982, and a further slight fall (to 162,000 according to Ford estimates) is forecast this year.

But this appears to reflect the general state of the French economy rather than any shift in buying preferences, because medium van sales have also fallen: to 125,000 last year from 134,000, and with a further decline to 116,000 predicted for the current year.

There are signs of change in West Germany, however. In 1981, only 15,000 light vans were sold, including the Japanese-built "microvans"—which resemble traditional panel vans in shape, but are about half the size and with engines of 550-800 cc.

Above: the Golf-based Volkswagen Caddy pick-up; centre: Vauxhall's Astra van—immediately successful as a diesel; and (right) the Ford Fiesta van

Momentum

Since then, light van sales have been gathering momentum: 20,000 were sold in 1982 and 27,400 last year. Although some of the increase is accounted for by buyers moving downmarket and buying Japanese, a substantial part appears to be accounted for by the launch in West Germany of the VW Caddy—a pick-up based on Golf components but with a longer wheelbase and with payloads of 600-700 kgs.

It is additional to the Golf van, but is made not in West Germany but Yugoslavia. The main components are West German produced but assembly, on a Yugoslav floorpan, is carried out by TAS (Tvornica Automobilia Sarajevo), VW's subsidiary at Vogsca.

The introduction of the model has not been without problems, at least in the UK. It should have been launched in Britain this spring, but the Department of Transport would not initially accept its "made in West Germany" identification plates—although they bave been accepted elsewhere in Europe, and the final inspection point for the vehicles is at Wolfsburg.

However, the UK has now relented, and the van is expected to go on sale this autumn.

The Yugoslav plant has been turning out 50 Caddies a day, with 9,340 finding their way to Wolfsburg last year. Output is continuing to climb slightly, with over 2,500 being built in this year's first quarter.

Next year, however, should see a competitor of a different type in the European light van market. Bedford, General Motors' UK-based commercial vehicles subsidiary, is now almost certain to go ahead with production of a microvan based on a Suzuki model, but with 80 per cent European "ex-factory value" content which will allow it to be sold throughout the EEC.

Bedford seems increasingly committed to the view that the microvan's ability to carry more bulk, if not weight, than some car-derived vans will allow its planned version to knock a sizeable hole in the market, at least for smaller vans such as Ford's Fiesta and Austin's Metro.

The microvan's ability to penetrate traditional van markets has never really been tested, at least in the major European countries. For example, though sales took off in the UK when the first models were imported in the late 1970s, the introduction of import quotas on Japanese light commercials rapidly led the importers to switch to higher value vehictes;

About 3,000 were sold in the UK during the last year before they were effectively withdrawn.

The UK has also been undergoing change from another direction—diesels.

Bedford was surprised at the immediate success of the diesel-engined version of the Astra van, which by early last year was accounting for 40 per cent of all Astra van sales. This was despite the fact that the price premium required for a diesel version, and the small differential between petrol and diesel fuel prices in the UK, appeared to make their economics questionable.

By the end of the first quarter of this year, diesels were accounting for 12 per cent of the total UK light van market. Not much more than a year ago, their share was virtually zero.

Ford has joined the fray now with Escort and Fiesta vans, equipped with the 1.6 litre diesel on which it invested £140m at Dagenham. Ford, too, is upbeat about the prospects: the company says diesels could account for 20 per cent of Ford's car-derived vans eventually.

Austin Rover will not be left out in the cold for long. It plans to launch a van version of the Maestro shortly, and by spring it should be fitted with what the company will undoubtedly claim as a world first—a direct-injection unit based on the "O" series petrol engine. Ford has already introduced a high speed direct, rather than indirect, injection diesel—it is fitted to the Transit panel van; but Austin Rover's (it is being built jointly with Perkins) will certainly be the smallest and probably the first to be fitted to a car as well. Direct-injection units are about 15 per cent more economical.

The UK market itself this year is expected to match the 1979 record of 98,000. However, the expected decline in France and some other countries will lead to a reduction in total European demand for light vans to 646,900 from 651,000 in 1983, according to Ford forecasts.

Networks

It is likely to be a year of intensifying competition, contributed to for the first time by Seat of Spain. The Spanish manufacturer is rapidly setting up external dealer networks and becoming a pan-European seller of vehicles. It first started exports of cars only in 1982, but its own car-derived van, the Trans (based on the Fiat Panda) will soon become a more common sight outside Spain.

WESTERN EUROPE (15 COUNTRIES); REGISTRATIONS OF LIGHT COMMERCIAL VEHICLES (CAR-DERIVED VANS AND MICRO-VANS)

	1979	1980	1981	1982	1983
Total sales ('000) ...	348.6	353.6	348.4	396.9	436.1
	Market sales %				
Renault	31.3	34.6	36.6	36.3	32.9
Peugeot Group	28.4	25.2	23.0	20.5	17.7
Japanese	3.4	5.4	8.2	10.0	10.8
Fiat	7.9	10.0	10.6	9.7	9.9
Ford	11.3	9.4	8.1	8.6	7.7
BL	9.1	7.9	5.8	5.2	6.1
General Motors	6.4	4.6	3.5	4.1	4.9
Seat	0.5	0.5	0.6	1.8	4.6
VW	0.4	1.0	2.1	2.8	3.9
Others	0.0	0.0	0.9	0.0	0.4

Industry sources

Renault's Trafic T1000, French contender in Europe.

Japanese march

Panel vans

JOHN GRIFFITHS

LAST YEAR, for the first time, Japanese vehicles led the West European market for purpose-built panel vans, those of between 1.2 and 3.5 tonnes. The 18.5 per cent market share taken by Japanese imports demoted to second place Volkswagen (16.3 per cent) and to third place Ford (14.3 per cent).

The Japanese share is, of course, made up of the products of several manufacturers, and Ford's Transit and Volkswagen's Transporter and larger LT models are still the big sellers in Europe.

But an indication of just how powerful the Japanese presence is becoming is provided by events in West Germany itself:

There, Japanese market share had gone from 4.5 per cent in 1980 to 19.4 per cent by the end of last year. And in the first quarter of the current year, the advance has continued, to 25.8 per cent.

West Germany has a particular problem:

Despite the high reputation of the products of its domestic industry, there is no sign of the Japanese advance slowing.

But unlike other major European markets such as France and Italy, which have flatly refused to allow in any more than a token number of Japanese imports, West Germany exports about half of its light commercials and feels obliged to espouse the cause of free trade.

So VW and, to a much lesser extent, the country's other principal commercial vehicle producer, Daimler-Benz, have had to stand uneasily by and watch their own market share start to be nibbled away.

VW's problem is considerably worse than that of D-B: since 1980 its share of the West German market has slipped from 52 per cent to 44.2 per cent by the end of last year and to 37.2 per cent by this April. D-B's has gone from 19.7 per cent in 1982 to about 17.5 per cent.

Ford, too, has seen its West German market share drop, by about 40 per cent to 8.1 per cent since 1980.

Only Fiat, Peugeot and Renault, each with major new products after several years of uncompetitiveness, have seen their own position in West Germany improve, end in any case each has a share of under 5 per cent.

VW launched a new Transporter range in 1980 and has more recently made significant technical changes to its LT models, including new high-efficiency engines.

Similarly, Renault with its Trafic vans up to 2.5 tons and its Master, from 2.5-3.5, produced not only a modern-looking and aerodynamically efficient range in 1982—but one which attempted to provide all things to all users by even offering a choice of front or rear wheel drive.

Ford, market leader by a big margin in the UK, expects UK sales this year to reach a record of 137,000 (128,000 in 1983), but expects France to fall back, to 116,000 from 125,000 in 1983, and Italy to 65,000 from 70,000. About 130,000 sales are forecast for West Germany, roughly the same as in 1983.

While Ford insists that it has been offering no particular sales incentives on the Transit since 1982, there is no doubt that markets are, and will remain, highly competitive, and with discounting prevalent, particularly in the UK.

Quite apart from the problems of the growing Japanese pressures, rivals in northern Europe are also looking warily at the French and Italian industries. The expected market falls in these countries are likely to encourage their manufacturers to shift their marketing emphasis to exports, and thus heighten the discounting pressures further.